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APPENDIX

TO THE

SIXTY-FIRST VOLUME

OF THE

JOURNALS OF THE HOUSE OF COMMONS

DOMINION OF CANADA

FEBRUARY JULY SESSION, 1924

PRINTED BY ORDER OF PARLIAMENT



OTTAWA
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APPENDIX

SEVENTH VOLUME

OF THE

JOURNALS OF THE HOUSE OF
COMMONS

DOMINION OF CANADA

SEVENTH VOLUME



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LIST OF APPENDICES—FEBRUARY-JULY SESSION, 1924

- No. 1.—Select Standing Committee on Banking and Commerce,—Recommending in its sixteenth report to the House, that its order of reference, reports, proceedings and the evidence given before the Committee relating to Home Bank depositors, rural credits systems and various other matters, be printed as an appendix to the Journals of the House and for distribution. *Printed.* See Journals at pages 379, 423, 463 and 517.
- No. 2.—Select Standing Committee on Miscellaneous Private Bills,—Reporting Bill No. 47, incorporating The United Church of Canada, in third report of the Committee and submitting a copy of its minutes of proceedings for the information of the House. *Not printed.* See Journals at pages 389-390.
- No. 3.—Select Standing Committee on Privileges and Elections,—Submitting its minutes of proceedings, exhibits laid before the Committee and the evidence taken in connection with the matter of the Honourable James Murdock which was referred to the said Committee following the motion of the Honourable Member for West Hastings on the 22nd May. *Not printed.* See Journals at pages 401-402, 439-443.
- No. 4.—Special Committee appointed to inquire into an old age pension system for Canada,—Recommending in its second and final report to the House, that its proceedings together with the evidence given before the Committee, be printed as an appendix to the Journals of the House. *Printed.* See Journals at pages 464-465, 509.
- No. 5.—Select Standing Committee on National Railways and Shipping,—Recommending in its fifth and final report, that its proceedings together with the evidence taken by the Committee relating to the estimates of the Canadian National Railways and the Canadian Merchant Marine, and in regard to the purchase of a certain property in Paris, be printed as an appendix to the Journals of the House. *Printed.* See Journals at pages 514-516, 518.
- No. 6.—Special Committee appointed to consider questions relating to the pensions, insurance and re-establishment of returned soldiers,—Recommending in its sixth report, that its order of reference, reports, proceedings and the evidence given before the Committee together with a suitable index therefor, be printed as an appendix to the Journals of the House, and for distribution. *Printed.* See Journals at pages 591-592, 594.

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

NATIONAL RAILWAYS AND SHIPPING

SESSION 1924

MINUTES OF PROCEEDINGS
AND EVIDENCE

TABLE OF CONTENTS

	PAGE
Members of the Committee.....	v
List of Witnesses.....	vii
Order of Reference	ix
Reports of the Committee.....	x-xvi
Minutes of Proceedings.....	xvii-xxv
Minutes of Evidence.....	1-295
Index to Evidence.....	297

MEMBERS OF THE COMMITTEE

EULER, W. D.—*Chairman*

DRAYTON, Sir HENRY
DRUMMOND, J. D. F.
GAUVREAU, C. A.
GRAHAM, Hon. G. P.
HARRIS, J. H.
JELLIFF, L. H.
JONES, G. B.

KYTE, G. W.
MACKINNON, D. A.
MILNE, R.
RINFRET, F.
ROBICHAUD, J. G.
STEWART, C. W. (*Humboldt*)
STORK, A.

JOHN T. DUN,
Clerk of the Committee.

LIST OF WITNESSES

- Bell, Major G.
Deputy Minister of Railways and Canals.
- Brown, Mr. C. B.
Chief Engineer, Operation Department, Canadian National Railways.
- Cooper, Mr. T. H.
General Auditor, Department of Finance, Canadian National Railways.
- Doherty, Mr. J. P.
Canadian Mercantile Marine.
- Fairbairn, Mr. R. L.
Manager, Postal Service Bureau, Canadian National Railways.
- Henry, Mr. R. A. C.
Director, Bureau of Economics, Canadian National Railways.
- Pratt, Mr. L.
Broker, Paris, France.
- Price Green, Mr. C.
Commissioner, Colonization and Development, Canadian National Railways.
- Robb, Mr. W. D.
Vice-President, Department of Insurance, Colonization, etc., Canadian National Railways.
- Ruel, Mr. G.
Vice-President and General Counsel, Legal Department, Canadian National Railways.
- Swift, Mr. W. H.
Radio Engineer, Canadian National Railways.
- Thompson, Mr. W. S.
Director of Publicity, Canadian National Railways.
- Thornton, Sir Henry
President, Canadian National Railways.
- Wilson, Senator J. M.

ORDER OF REFERENCE

HOUSE OF COMMONS,

OTTAWA, WEDNESDAY, June 4, 1924. *

Resolved,—That Rule 10 of the House of Commons relating to the appointment of the Select Standing Committee of the House be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the Estimates of the Canadian National Railway and the Canadian Merchant Marine for the present session for consideration and for report to the House: Provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply.

Attest.

W. B. NORTHRUP,
Clerk of the House of Commons.

TUESDAY, June 10, 1924.

Ordered,—That the said Committee be composed of the following Members, viz: Messieurs Drummond, Euler, Gauvreau, Graham, Harris, Jelliff, Jones, Kyte, Ladner, Mackinnon, Milne, Rinfret, Robichaud, Stewart (Humboldt), and Stork.

Attest.

W. B. NORTHRUP,
Clerk of the House of Commons.

THURSDAY, June 12, 1924.

Ordered,—That the name of Sir Henry Drayton be substituted for that of Mr. Ladner on the said Committee.

Attest.

W. B. NORTHRUP,
Clerk of the House of Commons.

THURSDAY, June 26, 1924.

Ordered,—That the said Committee be granted leave to sit while the House is in session.

Attest.

W. B. NORTHRUP,
Clerk of the House of Commons.

MONDAY, June 30, 1924.

Ordered,—That 500 copies of the proceedings and evidence of the said Committee be printed, and that Rule 74 be suspended in connection therewith.

Attest.

W. B. NORTHRUP,
Clerk of the House of Commons.

REPORTS OF THE COMMITTEE

FIRST REPORT

THURSDAY, June 19, 1924.

The Select Standing Committee on National Railways and Shipping beg leave to present the following as their First Report:—

Your Committee have considered Item No. 138 of the Estimates for the Fiscal Year ending March 31, 1925, viz., "Loan to Canadian Government Merchant Marine, Limited, \$900,000," and approve of the said item.

All which is respectfully submitted.

W. D. EULER,
Chairman.

SECOND REPORT

THURSDAY, June 26, 1924.

The Select Standing Committee on National Railways and Shipping beg leave to present the following as their Second Report:—

Your Committee recommend that leave be granted them to sit while the House is in session.

All which is respectfully submitted.

W. D. EULER,
Chairman.

THIRD REPORT

MONDAY, June 30, 1924.

The Select Standing Committee on National Railways and Shipping beg leave to present the following as their Third Report:—

Your Committee have considered Item 137 of the Estimates for the Fiscal Year ending March 31, 1925, viz., "Loans to Canadian National Railway Company, \$56,000,000," and have approved of the said item.

Your Committee recommend that 500 copies of the proceedings and evidence taken should be printed, and that Rule 74 should be suspended in connection therewith.

All which is respectfully submitted.

W. D. EULER,
Chairman.

FOURTH REPORT

THURSDAY, July 10, 1924.

The Select Standing Committee on National Railways and Shipping beg leave to present the following as its Fourth Report.

Your Committee has had under careful consideration Item No. 138 of the Estimates, which provides a,—

"Loan to the Canadian Government Merchant Marine Limited, repayable on demand with interest at a rate to be fixed by the Governor in Council, upon such terms and conditions as the Governor in Council may determine, and to be applied in the payment of deficits in operation of the Company and the vessels under the Company's control during the year ending March 31, 1925. \$900,000,"

APPENDIX No. 5

and has examined in detail the operating and income statements of the Company for the year ending December 31, 1923. Your Committee notes that the net results have been somewhat improved during 1923 in comparison with 1922, notwithstanding the depression which existed in world trade conditions, which have made difficult the profitable employment of cargo tonnage of restricted size and speed, as is the case in connection with the Canadian Government Merchant Marine.

Your Committee is also impressed with the conviction expressed by the President of the Canadian National Railways that during the coming year the position of the Canadian Government Merchant Marine will be materially improved, and attention is drawn to the fact that the amount requested in the Estimates for the fiscal year ending March 31, 1925, is \$900,000, whereas the amount included in the Estimates for deficits in operation for the fiscal year ending March 31, 1924, was \$1,500,000.

Your Committee is accordingly unanimously of the opinion that the amount asked for for the coming year, namely, \$900,000, should be passed by the House.

In the course of its investigations, several matters were discussed to which your Committee feels the attention of the House should be directed:—

- (1) The Atlantic Service.
- (2) The Pacific Service.
- (3) The Atlantic-Pacific Service (via Panama.)
- (4) The Great Lakes Service.

(1). The Atlantic Service:—

The Atlantic Services consist of the following:—

United Kingdom:

Fortnightly service to Cardiff and Swansea.

Fortnightly service to London and Antwerp.

In connection with the services to the United Kingdom, your Committee was considerably impressed by the evidence adduced to the effect that large quantities of chilled beef, 4,600,000 quarters, were imported into Great Britain during the year 1923, of which amount only 568 quarters were imported from Canada, the balance coming largely from the Argentine and Brazil.

The Canadian Government Merchant Marine have but four vessels in the Atlantic service operating between Canada and the United Kingdom equipped with refrigerating accommodation of 10,265 cubic feet each, whereas vessels in the Argentine trade have refrigeration capacity from fifteen to thirty times as great.

Attention has been drawn to an experiment conducted in the early months of 1923 by the Experimental Farms Branch of the Department of Agriculture and reported by the Animal Husbandry Division, Central Experimental Farm, Ottawa, in pamphlet Number 39, which indicates that this experiment with chilled beef gave a decidedly poor return, due to lack of uniformity in weight of carcasses and lack of knowledge of requirements of the Smithfield market.

Due to the tendency on the part of the European public to consume increasing quantities of chilled beef, it would appear to the Committee that considerable trade in this commodity might be developed between Canada and Europe with resulting advantage to the cattle raiser and also to the Canadian National Railways if some means can be devised whereby the Canadian cattle raiser can compete in the British market with his Argentine competitor and, in this connection, the Committee feels that this question deserves the very serious consideration of the Government. Further, in view of the present condition

of our export cattle trade, the Committee recommends that the Government consider ways and means of improving the facilities and reducing the cost of transportation of live cattle to Great Britain.

West Indies:

Fortnightly freight service to St. Kitts, Antigua, Barbadoes, Trinidad and Demerara.

Three-weekly passenger and freight service to Bermuda, Nassau, Kingston and Belize.

The latter service has been, since its inception, and is at the present time, maintained by the steamers *Canadian Fisher* and *Canadian Forester*, of 5,100 tons gross, and was instituted at the request of the Government under the terms of the agreement concluded at Ottawa in June, 1920, when the Government of Canada undertook to provide a fortnightly freight, mail and passenger service, between Canada, the Bahamas, Jamaica and British Honduras, with the following stipulations—the agreement remains in force for a period of ten years:—

1. The steamers to be not less than 3,500 tons dead weight; to have an ocean going speed of not less than 10 knots; to have accommodation for from 15 to 20 first class passengers; and to be provided with 'tween decks.

2. The steamers to sail from such Canadian ports as their conditions require and to proceed to Belize, British Honduras, calling at Nassau, Bahamas, and at such port or ports in Jamaica as may be necessary, and call on the return voyage at such port or ports in Jamaica as may be necessary, and at Nassau.

The colonies directly concerned undertook to recommend to their governments that if the service proved unremunerative they would contribute 25 per cent of any loss provided that the amounts contributed should not exceed in the case of the Bahamas the sum of 3,000 pounds per annum, and in the case of British Honduras the sum of 5,000 pounds per annum, and in the case of Jamaica the sum of 5,000 pounds per annum.

The West Indian service was inaugurated in January, 1921, and in June, 1922, the port of Hamilton, Bermuda, was added to the itinerary.

The steamers, as originally laid down, were to be built as purely cargo steamers, but with the concluding of the West Indian agreement and the decision of the Government that we should undertake the service, necessary alterations in the plans were made to provide accommodation for a maximum of 35 passengers. The passenger accommodation, while the best that could be provided under the circumstances, is not entirely suitable to the tropical trade, and this condition is largely responsible for the difficulties which were experienced in securing full complements of passengers for our various voyages. Cold storage accommodation is not available and could not be profitably incorporated in the steamers. This accommodation is essential for the proper development of the trade.

Based upon the evidence given before the Committee by the President of the Canadian National Railways, it is felt that the passenger and freight business between Canada and the West Indies could be greatly increased, with resulting profit, if modern vessels with cool air and cold storage facilities could be provided for the accommodation of bananas and other fruit which could be marketed in Canada through direct importation via Canadian ports rather than through United States ports as at present, but this business naturally cannot be secured without steamers of greater speed and proper cold storage facilities.

APPENDIX No. 5

It is also felt that considerable passenger traffic could be built up if up-to-date passenger accommodation were provided in this connection. The Committee recommends that the Government might very well look into the possibilities of improving the service along the lines suggested.

Australia and New Zealand:—

Monthly service to Auckland, Brisbane, Sydney, Melbourne and Adelaide.

Newfoundland:—

Three-weekly service to St. John's, Newfoundland, via Charlottetown, Prince Edward Island.

(2) The Pacific Service:—

The Pacific Services consist of the following:—

Pacific Coastal:—

Weekly service to San Pedro and San Francisco.

In addition to the above, the Canadian Government Merchant Marine operate on behalf of the Grand Trunk Pacific Coast Steamship Co., three steamers, as follows:—

S.S. *Prince Rupert* and *Prince George* operating between Vancouver, Powell River, Ocean Falls, Swanson Bay, Prince Rupert, Anyox and Stewart, and the

S.S. *Prince John* between Vancouver, Queen Charlotte Island and Prince Rupert.

No service, however, is operated in the Alaska trade, although the prospects of trade development on this route appear to be very promising.

In view of the representations made in this regard by the President of the Canadian National Railways, your Committee is of the opinion that a new steamer for the Alaska service would be desirable in order to more fully develop and protect the interests of the Canadian National Railways and recommends that the Government consider the construction of a suitable steamer for this purpose.

United Kingdom:—

New monthly service to United Kingdom started in November, 1923, to ports in English Channel, Bristol Channel and the West Coast of United Kingdom.

Australia and New Zealand:—

Monthly service to Auckland, Sydney, Melbourne and Adelaide.

Oriental:—

Monthly service to Yokohama, Japan, and Shanghai, China; with occasional calls at Northern China ports.

(3) The Atlantic-Pacific Service (via Panama):—

This spring a service between Canadian St. Lawrence and Atlantic ports and Vancouver was inaugurated by the Management of the Canadian Government Merchant Marine which is considered an essential service.

(4) The Great Lakes Service:—

The evidence indicates that over 11,000,000 bushels of grain were handled during the season of navigation of 1923, with a resulting operating profit to the vessels engaged in this service, but that the type of construction of the vessels of the Canadian Government Merchant Marine is such that they cannot economically compete in this trade during normal conditions.

A copy of the evidence taken in connection with its examination of the estimates of the Canadian Merchant Marine, as well as those of Canadian National Railways, will be submitted for the information of the House with your Committee's next and final report.

All which is respectfully submitted.

W. D. EULER,
Chairman.

FIFTH AND FINAL REPORT

10th July, 1924.

The Select Standing Committee on National Railways and Shipping begs leave to present its fifth and final report as follows:

Your Committee to which was referred for consideration and for report to the House the estimates of the Canadian National Railways and the Canadian Merchant Marine, held fifteen meetings in the course of which it examined sundry witnesses, including: Sir Henry Thornton, K.B.E., President and Chairman of the Board; Major Graham A. Bell, C.M.G., Deputy Minister of Railways and Canals; Gerald Ruel, K.C., Vice-President and General Counsel; W. D. Robb, Vice-President, in charge of Insurance, Lands, Express, Telegraphs, Colonization, Development, etc. C. B. Brown, Chief Engineer, Operation Department; R. L. Fairbairn, Manager, Passenger Service Bureau; T. H. Cooper, General Auditor, and R. A. C. Henry, Director, Bureau of Economics.

In connection with its consideration of the estimates, your Committee made careful examination of the Annual Report, both of the Canadian Government Merchant Marine and Canadian National Railways. Our conclusions and recommendations with respect to the Merchant Marine have already been reported to the House.

Considerable evidence was adduced in regard to the purchase by the Management of the Canadian National Railways of a property in Paris, from which it appears that the sum expended to April 30th, 1924, amounts to about \$2,600,000 in Canadian currency. If the property is retained, the remodeling of the building for office purposes is estimated to cost from \$400,000 to \$700,000 in addition, this amount depending upon the requirements of prospective tenants.

The evidence indicates that the Management is of the opinion that adequate quarters in Paris are desirable and that its action in acquiring the property was legal. From the evidence given before the Committee, it appears that the price paid was not in excess of its value and that rental values in this section of Paris are increasing.

The evidence further indicates that the Management of the Canadian National Railways did not originally propose to make a large capital investment in Paris real estate; therefore, if it can be done advantageously and adequate quarters for the purposes of the Canadian National Railways retained, your Committee is of the opinion that this property might be sold, so as to reduce capital investment.

APPENDIX No. 5

Your Committee is of the opinion that the acquisition or sale of property for railway purposes involving large sums of money ought not to be possible except by authority of Order in Council previously obtained.

Your Committee reviewed, so far as time permitted, the operating statements of the Company and, on the evidence adduced, is of the opinion that the customary and necessary maintenance of the permanent way, structures and equipment has not been slighted but that the general standard of the Company's physical property has been improved.

In regard to the transport of His Majesty's mails, the evidence submitted indicates that there is at present an unequal distribution of mail services between the railways—in some instances resulting in inferior service to the public. Your Committee feels that adequate mail service is of paramount importance in the public interest, and suggests that the Government take steps to review the whole question of the transport of mails throughout Canada in order that distribution may be effected to give a maximum of service to the public and justice to the Canadian National Railways.

Item No. 137 of the estimates before the House provides for an amount of \$56,000,000 to meet expenditures by the Company for the coming year on the following Accounts:—

	1924-25	1923-24
(a) Interest on securities, notes and other obligations; also rentals for lease of lines	\$18,745,639 58	\$22,609,260 34
(b) Equipment principal payments, sinking fund, miscellaneous maturing or matured notes and other obligations secured of unsecured.. . . .	5,867,633 33	8,507,699 33
(c) Operating income deficit whenever incurred or ascertained.. . . .	1,467,138 48	10,400,000 00
(d) Construction and Betterments, including co-ordination, acquisition of property and purchase of equipment.. . . .	29,919,588 61	33,033,040 33
	<hr/> \$56,000,000 00	<hr/> \$74,550,000 00

From the evidence given, your Committee is of opinion that the amounts asked for are necessary for the purposes of the Company during the coming year and should be granted.

Your Committee suggests that in regard to all matters relating to immigration and colonization the Canadian Pacific and Canadian National Railways be invited to co-operate as closely as possible with each other and with the Departments of the Government concerned with such matters.

Your Committee desires to direct the attention of the Government to the apparent unnecessary competition and duplication of services between important centres by the Canadian National and Canadian Pacific Railways and to suggest that the railways be invited to consider the whole question with a view to elimination, wherever possible, of unnecessary duplication and competition, so as to conserve the revenues and resources of both Companies while still rendering adequate service to the public.

Your Committee is of the opinion that the Capital sum upon which interest charges are now computed in making up the annual income statements of the Canadian National Railways is excessive and desires to suggest that the Government give early consideration to the feasibility of reducing same.

Your Committee desires to direct attention to the following remarks of the President of the Canadian National Railways upon the completion of his examination by the Committee:—

"It is, in my judgment, quite essential that there should be some vehicle of discussion and communication between the administration of the Railway System and the representatives of the Shareholders, who are the people of Canada, and those representatives are, of course, members of the Dominion Parliament. Now, all of the discussion we have had, from my point of view, has been extremely illuminating, has been of great assistance, and I only hope that some method will be provided of enabling the administration to discuss with some suitable body of the House the various questions with respect to which there may be misunderstandings. I hope that something will be done to provide a vehicle of that sort. As far as the members of this Committee are concerned, although presumably their duties and responsibilities will end with the report and the adjournment of the House, still I should like very much to be in a position to discuss from time to time, not only this year but in subsequent years if I am here, matters which affect the people of Canada, and their railway system, and discuss these matters with the accredited representatives of the people, who are necessarily members of the Dominion Parliament."

Your Committee desires to lay on the Table of the House a copy of the evidence and of certain statements requested of attending officials, which have been printed with the evidence. In doing so, the Committee desires to record its appreciation of the assistance and co-operation of such representatives of the Canadian National Railways and Shipping as appeared before it.

Your Committee wishes to point out that it did not commence to function until June 17th, and the review of the estimates and annual statement was necessarily limited.

Your Committee begs to recommend that its proceedings, together with the evidence taken, be printed as an appendix to the Journals of the House, and that Rule 74 be suspended in connection therewith.

All of which is respectfully submitted.

W. D. EULER,
Chairman.

MINUTES OF THE PROCEEDINGS

ROOM 424, HOUSE OF COMMONS,
FRIDAY, 13th June, 1924.

The Committee met at 11 a.m. for organization.

Present: Messrs. Drayton, Drummond, Euler, Gauvreau, Graham, Harris, Jelliff, Kyte, Mackinnon, Stewart (Humboldt), Stork.—11.

The Clerk read the Orders of Reference.

On motion of Mr. Kyte, seconded by Mr. Mackinnon, Mr. Euler was elected Chairman.

The Chairman thanked the Committee for the honour they had conferred upon him.

Hon. Mr. Graham, Minister of Railways and Canals, addressed the Committee and was followed by Sir Henry Thornton, President of Canadian National Railways.

General discussion followed, after which it was decided to take up the Canadian Government Merchant Marine at the next meeting.

The Committee adjourned at 11.50 a.m. until Tuesday, 17th June, at 11 a.m.

ROOM 268, HOUSE OF COMMONS,
TUESDAY, 17th June, 1924.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Drummond, Euler, Gauvreau, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Stewart (Humboldt), Stork.—12.

Sir Henry Thornton, President of the Canadian National Railways and of the Canadian Government Merchant Marine Limited, distributed copies of the Fifth Annual Report of the Canadian Government Merchant Marine Limited, and addressed the Committee thereon.

In the course of Sir Henry Thornton's remarks, Hon. Mr. Graham suggested that a stenographic report should be taken. The Clerk, accordingly, was instructed to procure the services of a reporter immediately. Thereafter a stenographic report of the proceedings was taken.

Sir Henry Thornton was questioned. Comparisons were drawn of Canadian—United Kingdom and South American—United Kingdom steamer services in the matters of refrigerator facilities, railway hauls, steamship rates and distances, with special reference to the building up of a chilled meat industry in Canada.

Sir Henry Thornton referred to the great possibilities in the Canadian-West Indian service.

The Committee adjourned at 12.55 p.m. until to-morrow at 10.30 a.m.

ROOM 231, HOUSE OF COMMONS,

WEDNESDAY, 18th June, 1924.

The Committee met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Euler, Gauvreau, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Stewart (Humboldt), Stork.—11.

On motion of Mr. Graham,—

Ordered,—That 25 typewritten copies of yesterday's stenographic report be procured, and that 25 typewritten copies of all future stenographic reports of the proceedings be struck off for the use of the Committee, and for distribution as they think fit.

Sir Henry Thornton answered questions asked yesterday regarding the Canadian Merchant Marine.

Sir Henry stated that the lack of westbound traffic on the Canadian-United Kingdom steamship service crippled that line. The Pacific Coastal service was alluded to as being a paying one and worthy of development, while the route from Vancouver through the Panama Canal to Eastern Canadian ports was favourably commented upon. Sir Henry thought that the West Indian trade should be cultivated, and that four ships might well be added to that service.

By permission of the Committee, Mr. Logan made some observations respecting the West Indian service, in the course of which he referred to the agents for the Canadian Merchant Marine throughout the West Indies being actually competitors for the business sought by Canada; to the bad coal used on boats; and to the lack, so far as passengers were concerned, of daily information by wireless telegraphy on these boats. Mr. Logan suggested that trading possibilities with Argentine and Brazil should be investigated.

The Committee adjourned at 12.40 p.m. until to-morrow at 10.30 a.m.

APPENDIX No. 5

ROOM 231, HOUSE OF COMMONS,
THURSDAY, 19th June, 1924.

The Committee met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Drummond, Euler, Gauvreau, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Stewart (Humboldt), Stork—12.

Consequent on yesterday's order of the Committee for 25 typewritten copies of the proceedings of the Committee, the Chairman intimated that these could not be supplied until the end of the week, and that a charge would be incurred for typing. Sir Henry Thornton offered to have 25 copies of all proceedings struck off, and this was agreed to.

Sir Henry Thornton was questioned in reference to the West Indies service and to its possibilities, to the shipment of grain on the Great Lakes, to the matter of transporting Nova Scotia coal by water to Ontario, and to the Oriental service.

Discussion ensued as to what should be incorporated in the Report of the Committee to the House, mention being made of

- (a) a United Kingdom chilled meat trade;
- (b) augmentation of the West India service;
- (c) augmentation of the Pacific Coastal service;
- (d) Pacific to Atlantic service, via Panama Canal.

Sir Henry Drayton suggested that the Management should bring their recommendations before the Committee for consideration.

On motion of Mr. Mackinnon,—

Resolved,—That Item No. 138 of the Estimates for the Year ending March 31, 1925, viz. "Loan to Canadian Government Merchant Marine, Limited, \$900,000.00" be approved.

Consideration was given to Item No. 137 of the Estimates, viz. "Loans to Canadian National Railway Company, \$56,000,000.00", Sir Henry Thornton making a statement regarding the purchase of the Scribe Hotel, Paris.

On motion of Mr. Stork,—

Resolved,—That Major Bell, Deputy Minister of Railways and Canals, be heard regarding the Scribe Hotel purchase.

Major Bell was called and heard.

On the completion of Major Bell's remarks, Sir Henry Thornton was cross-examined by Sir Henry Drayton.

The Committee adjourned at 1.10 p.m. until tomorrow at 10.30 a.m.

ROOM 231, HOUSE OF COMMONS,
FRIDAY, 20th June, 1924.

The Committee met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Drummond, Euler, Gauvreau, Harris, Jelliff, Kyte, Mackinnon, Milne, Stewart (Humboldt), Stork—11.

14-15 GEORGE V, A. 1924

Hotel Scribe, Paris

Sir Henry Thornton was further examined respecting the purchase of this building. The principal questioners were Sir Henry Drayton, Mr. Harris, Mr. Kyte and Mr. Stewart (Humboldt).

The Committee adjourned at 12.55 p.m. until Monday next at 10.30 a.m.

ROOM 231, HOUSE OF COMMONS,
MONDAY, 23rd June, 1924.

The Committee met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Drummond, Euler, Gauvreau, Graham, Kyte, Mackinnon, Milne, Stewart (Humboldt), and Stork—10.

Hotel Scribe, Paris

Major Bell, Deputy Minister of Railways and Canals, was recalled and examined. Witness retired.

Canadian National Railway System—Annual Report

This report for the year ending December 31, 1923, was considered as to the items appearing on page 5 thereof, viz: Mileage, Revenue Expenses. Sir Henry Thornton was heard. The decrease of revenue for mail service was attributed to a re-arrangement of rates. In considering "Maintenance of Way and Structures," Sir Henry Thornton outlined the steps taken to effect the indicated decrease in cost.

The Committee adjourned at 1 p.m., until tomorrow at 10.30 a.m.

ROOM 231, HOUSE OF COMMONS,
TUESDAY, 24th June, 1924.

The Committee met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Drummond, Euler, Gauvreau, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Stewart (Humboldt), Stork—12.

Hotel Scribe, Paris

Major Bell was recalled and questioned, after which he retired.

Mr. Gerald Ruel, Vice-President and General Counsel for Canadian National Railways, was called and heard. He was questioned by Sir Henry Drayton, and subsequently by Mr. Kyte and Mr. Mackinnon. In the course of Sir Henry Drayton's questioning of the witness, reference was made to the Home Bank, which, Mr. Kyte taking exception, was ruled out of order.

APPENDIX No. 5

Prince Rupert B.C. Lots

Mr. Ruel was questioned by Mr. Kyte respecting the sale of Prince Rupert lots owned by Canadian National Railways.

Mr. Ruel retired.

Conservative Caucus

At 12.12 p.m. Sir Henry Drayton reminded the Committee that a Conservative caucus was scheduled for 11.30 a.m. today. The Committee, accordingly, adjourned until tomorrow at 10.30 a.m.

ROOM 429, HOUSE OF COMMONS,

WEDNESDAY, 25th June, 1924.

The Committee met at 10.30 o'clock a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Drummond, Euler, Jones, Gauvreau, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Robichaud, Stewart (Humboldt), Stork—14.

Railway Operating Expenses

Two officials of the Canadian National Railways, Mr. R. A. C. Henry, Director Bureau of Economics, and Mr. C. B. Brown, Chief Engineer Operation Department were called and questioned.

Witnesses stood aside.

Hotel Scribe, Paris

Sir Henry Drayton having arrived, Mr. Pratt, of Paris, France, was, on motion of Mr. Kyte, called and examined.

Mr. Pratt retired.

Senator Wilson, on motion of Mr. Mackinnon, was called and examined.

Senator Wilson retired.

Railway Operating Expenses

Messrs. Henry and Brown were recalled. Further examination was made of the Annual Report for the year ending December 31st, 1923, after which the witnesses retired.

Report of the Committee

A discussion took place respecting the recommendations which should be included in the Committee's report to the House. It was suggested that the executive officers of the Canadian National Railways should first submit to the Committee a draft report of recommendations, which might assist the Committee in arriving at conclusions.

The Committee adjourned at 1 p.m. until tomorrow at 10.30 a.m.

14-15 GEORGE V, A. 1924

ROOM 116, HOUSE OF COMMONS,

THURSDAY, 26th June, 1924.

The Committee met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Euler, Gauvreau, Graham, Harris, Jelliff, Kyte, Mackinnon, Milne, Stewart (Humboldt), Stork—10.

Routing of Canadian Mail Traffic

Consequent on the President of the Canadian National Railways having stated at a previous meeting of the Committee that that company was not receiving a fair share of postal transportation business, and on motion of Mr. Graham,—

Mr. R. L. Fairbairn, Manager of the Postal Service Bureau, was called and examined.

Mr. Fairbairn showed that the routes served by the Canadian National Railways would have an improved mail service if some of the existing postal transportation agreements with the Canadian Pacific Railway were transferred to the Canadian National Railways. Financially, the unfairness of the present arrangements towards the Canadian National Railways was also demonstrated.

The witness submitted a statement containing observations regarding the existing mail service and recommendations for the improvement thereof.

Mr. Fairbairn retired.

Canadian National Railways—Annual Report

Major Bell and Messrs. Brown, Henry and Cooper were in attendance, and answered questions relative to Railway Operating Revenues, Railway Operating Expenses, Maintenance of Way and Structures, Traffic Expenses and Transportation Rail Line, also Miscellaneous Operations, as embodied in pages 18 to 22.

Motion for Leave to Sit while House Sitting

On motion of Mr. Stork,—

Resolved,—That leave be asked to sit while the House is in session.

The Committee adjourned at 1 p.m. until tomorrow at 10.30 a.m.

ROOM 231, HOUSE OF COMMONS,

FRIDAY, June 27, 1924.

The Committee met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Drummond, Euler, Harris, Kyte, Jelliff, Jones, Mackinnon, Milne, Stewart (Humboldt).—10.

APPENDIX No. 5

Radio Equipment

Mr. W. D. Robb, Vice-President of Insurance, Colonization, etc., Canadian National Railways, was called, heard and questioned regarding radio equipment.

Immigration

Mr. W. D. Robb was questioned with respect to immigration activities.

Mr. C. Price-Green, Commissioner of Colonization, under Mr. Robb, was called and questioned regarding immigration.

Group settlement of immigrants was discussed, also the financial advantage to be derived by co-ordination of effort on the part of the Government, the Canadian National Railways, the Canadian Pacific Railway, the British Government and the Bankers' Association, in the matter of securing and helping immigrants.

Messrs. Robb and Price-Green retired.

The Committee adjourned at 1 p.m. until 3.30 p.m. to-day.

The Committee reassembled at 3.30 p.m.

Electrified Lines

Mr. R. A. C. Henry was recalled and indicated the ramifications of electrified lines owned by the Canadian National Railways after which he was questioned.

Sir Henry Thornton made some observations in furtherance of Mr. Henry's remarks.

Mr. Henry retired.

Salaries of Officials

Mr. Stewart (Humboldt) asked Sir Henry Thornton for a statement respecting Items Nos. 451 and 452, viz. salaries and expenses of general officers and of clerks and attendants, the figures against these items seeming to indicate that increases in salaries given to high paid officials were greater proportionately than those given to the lower grades. A satisfactory explanation was made.

Law Expenses (Item No. 454) Pensions (Item No. 457) and Insurance (Item No. 455) were discussed and explained.

The Committee adjourned at 5.45 p.m. until Monday next, at 11 a.m.

ROOM 231, HOUSE OF COMMONS,
MONDAY, June 30, 1924.

The Committee met at 11 a.m., Mr. Euler, the Chairman, presiding.

Present: Messrs. Drayton, Drummond, Euler, Graham, Jones, Kyte, Milne, Stewart (Humboldt), Stork—9.

*Canadian National Railways—Annual Report
Advertising*

Sir Henry Thornton reviewed the expenses incurred and commented thereon.

Estimates

The following items were considered:—110—Branch Lines, \$97,125; 116—Fort Nelson Terminals, Hudson Bay, Revote, \$10,000; 137—Loans to Canadian National Railway Company, \$56,000,000.

Sir Henry Thornton and Messrs. Brown and Henry answered questions
On motion of Mr. Kyte,

Resolved, That Item No. 137 be approved.

Printing of Evidence

Discussion took place as to which parts of the evidence taken should be printed.

Mr. Kyte moved that the evidence respecting the Hotel Scribe, Paris, be printed.

Mr. Stork moved that the evidence respecting the Hudson Bay Railway (Item 116), taken to-day, be printed.

Sir Henry Drayton moved in amendment that all the evidence taken be printed.

Hon. Mr. Graham thought the action of the Committee might be misconstrued if only parts of the evidence were printed.

Mr. Kyte withdrew his motion.

Mr. Stork withdrew his motion.

Sir Henry Drayton's motion carried.

Report of the Committee

On motion of Hon. Mr. Graham,—

Resolved, That the Chairman appoint a sub-committee to confer with officials of the Canadian National Railways respecting the drafting of a report for presentation to the House, said sub-committee to report back to the Committee.

Sir Henry Thornton expressed his appreciation for the assistance received as a result of the sittings of the Committee. The Chairman reciprocated, thanking Sir Henry and his officials for their frankness.

The Committee adjourned at 1 p.m. to meet again at the call of the Chair

ROOM 429, HOUSE OF COMMONS,
THURSDAY, 3rd July, 1924.

The Committee met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

Present:—Messrs. Drummond, Euler, Harris, Jelliff, Mackinnon, Milne, Stewart (Humboldt), Stork—8.

CONSIDERATION OF REPORT FOR PRESENTATION TO HOUSE

Merchant Marine

The report submitted by the sub-committee respecting the Merchant Marine was read by the Chairman, and several slight changes were made and agreed to. On motion of Mr. Mackinnon,—

Resolved,—That the report of the sub-committee as amended be the report of the Committee respecting the Merchant Marine.

Proceedings in Journals of House

On motion of Mr. Stewart (Humboldt),—

Resolved,—That the Committee recommend that the proceedings of the Committee and evidence taken be printed as an appendix to the Journals of the House.

The Committee adjourned at 11 a.m. and will meet again at the call of the Chair.

ROOM 231, HOUSE OF COMMONS,

WEDNESDAY, 9th July, 1924.

The Committee met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

Present:—Messrs. Drummond, Euler, Harris, Jelliff, Jones, Mackinnon, Milne, Stewart (Humboldt)—8.

CONSIDERATION OF REPORT FOR PRESENTATION TO HOUSE

Canadian National Railways

The report of the sub-committee was presented by the Chairman and was considered, deletions and additions being made.

The report, as amended, will be further considered.

The Committee adjourned at 12.40 p.m. until to-morrow at 10.30 a.m.

ROOM 424, HOUSE OF COMMONS,

THURSDAY, 10th July, 1924.

The Committee met at 10.30 a.m., Mr. Euler, the Chairman, presiding.

Present:—Messrs. Drummond, Euler, Graham, Jelliff, Mackinnon, Milne, Stewart (Humboldt), Stork—8.

CONSIDERATION OF REPORT FOR PRESENTATION TO HOUSE

Canadian National Railways

The report submitted by the sub-committee was further considered, amended, and adopted as amended as the report of the Committee.

The Committee adjourned.

MINUTES OF EVIDENCE

COMMITTEE ROOM 268,
HOUSE OF COMMONS,
TUESDAY, June 17, 1924.

The Select Standing Committee on National Railways and Shipping met at 11.00 o'clock a.m., Mr. Euler, the Chairman, presiding.

Sir HENRY THORNTON called and examined.

(Verbatim report was commenced at 11.30 a.m.)

By the Chairman:

Q. Sir Henry, what is the amount of the charter No. 157?—A. These are what you might call earnings of vessels leasing them for service to others.

By Sir Henry Drayton:

Q. It would be on the Great Lakes?—A. Yes, or for odd trips, or anything of that sort, that is not a specific route. That would include the Great Lake service.

By the Chairman:

Q. Did that pay? Was that remunerative? —A. Well, it is part of this larger proposition, and was profitable.

By Sir Henry Drayton:

Q. What other points did these charters go to, Sir Henry?—A. Well, pulpwood from the St. Lawrence points, for instance.

By Mr. Stewart (Humboldt):

Q. Could you just distinguish, Sir Henry, in your figures of profit and loss from the grain trade on the Great Lakes and any other charters?—A. I do not believe we can separate those. I have not that with me, but perhaps it could be separated.

By Mr. Harris:

Q. That is, separate the pulpwood from the grain trade and the balance would be miscellaneous?—A. I can get that in a few minutes, if you will let that question stand.

By Sir Henry Drayton:

Q. Will you just give again the figures you have just given to us?—A. Yes, sir.

VOYAGES COMPLETED DURING THE YEAR

Atlantic		Voyages
United Kingdom and Continent.. . . .	514,000	65
West Indies Freight	68,000	30
West Indies Passenger.. . . .	153,000	18
Newfoundland	40,000	18
Australia.. . . .	91,600	14
		145
Charters.. . . .	128,000	157

<i>Pacific</i>		
Australia.. . . .	330,000	16
Orient.. . . .	173,000	14
India.. . . .	73,000	1
Coastal.. . . .	54,600	51
		<hr/>
		82

By Hon. Mr. Graham:

Q. Do those charters include any charters for the carrying of potatoes to Prince Edward Island and New Brunswick?—A. No, there was one voyage—

Q. How did you come out on that?—A. I cannot tell you offhand.

By Mr. Harris:

Q. Just take up the first item for a moment. Can you distinguish the United Kingdom and the Continent as between the Atlantic portion and the Pacific portion?—A. Well, we established a route from Vancouver through the Panama Canal late last year largely for grain. That is a route from Vancouver to Liverpool or United Kingdom points, but none of these voyages were completed within the year. While mention is made of these services, the financial result from these voyages are not included in last year's report, but there is no reason why we could not give you a statement of how these voyages worked out, although it is not in last year's report. Generally speaking, they were pretty satisfactory. I cannot give you the exact figures, but the service is a service of considerable promise.

Q. Then the 65 voyages are purely Atlantic?—A. Yes.

Q. How many of them went from Montreal, how many from Quebec and how many from Halifax?—A. There are two classes of services; in the services to the United Kingdom there were services to London, Antwerp, and to Cardiff and Swansea and to Liverpool. These were the three. Now, I cannot tell you offhand the segregation of each one of those services, but if you want it we can get it.

Q. Where did they originate? Montreal?—A. Well, I suppose most of them did originate in Montreal. Of course, it was Montreal in the summer, although some called at Quebec and some at St. Johns and Halifax. I have not that data with me, but it can be obtained.

Q. Generally speaking, it was Montreal when the season was opened?—A. Yes, that is right.

Q. There is no real change in the policy of the Canadian Merchant Marine to try to make full cargoes in Quebec?—A. Try to make full cargoes?

Q. Yes?—A. We try to make a full cargo from any place. Any place we can get one, it is profitable to do it. I do not think there has been any effort to single out any particular port and force a full cargo from that port. We have taken traffic where we could find it, and if, of course, we could get a full cargo from any particular port, that would be the thing we would go after, because that is obviously the most profitable.

Q. Then the calls at Quebec would not be very profitable?—A. No, you lose a certain amount of time, you know, and it would not be very profitable, no.

Q. Practically every one of these voyages in the summer had to come to Montreal to get the cargo?—A. That is the ultimate port, yes.

By Hon. Mr. Graham:

Q. I think Mr. Harris and I are perhaps thinking along the same line. Is an effort being made or would it be successful, or has it been tried, to bring cattle directly from the west to Quebec and ship them from there instead of from

[Sir Henry Thornton.]

APPENDIX No. 5

Montreal?—A. That, of course, is a very profitable proposition and one which enables us to put more traffic on the Transcontinental, where it is badly needed, and gives us a full cargo from Quebec.

By the Chairman:

Q. Could you carry wheat in the same way in the winter months?—

A. There were four sets of voyages of cattle from Quebec.

By Sir Henry Drayton:

Q. I wonder if we could get an analysis of those voyages?—A. A financial aspect?

Q. Yes?—A. Yes.

By Mr. Stewart (Humboldt):

Q. You were speaking of full cargoes?—A. You cannot load the space up entirely with cattle, because the boat fittings do not permit, but all the cattle-carrying space available on these vessels was filled with cattle, and then there was other cargo put in the ship at points where you could not put cattle.

By Mr. Harris:

Q. Do I understand that these four vessels loaded their full cargo at Quebec, and did not go to Montreal?—A. They went to Montreal and picked up a general cargo, and then picked up a cattle cargo at Quebec.

Q. That would not be a very profitable business?—A. You cannot answer that question by saying it would not be profitable. I think, taking it as a whole, and considering the interest of the railway and the interest of the Merchant Marine, it would be a desirable thing to do.

By Mr. Stewart (Humboldt):

Q. You would say, Sir Henry, that it would be more profitable if the cargo of cattle could be obtained at Quebec?—A. Obviously. You do not want to travel any more miles with your ship than you have to, and you want to get as much of your cargo at one spot as you can. If you can get a full cargo at one port it is the thing to do.

By Mr. Harris:

Q. Would your records show how many cargoes of cattle were loaded at Montreal?—A. Six.

By Mr. Stork:

Q. What is the last shipment of cattle from Quebec to England?—A. That was in October.

By Mr. Stewart (Humboldt):

Q. What cargo can the Merchant Marine vessels carry besides cattle?—A. Grain, lumber, grain-products, automobiles and accessories, dairy products, hay, iron and steel, bricks, slag, sand—practically anything.

By the Chairman:

Q. Do you carry any grain from Quebec which comes via the National to Quebec?—A. For the United Kingdom?

Q. Yes?—A. No, not from Quebec, we do not. Grain that we carry comes entirely from Montreal.

By Sir Henry Drayton:

Q. I think it would save discussion if you prepared a financial return from these cattle voyages—A. If I might make a suggestion; what you would probably like to do is to pick out a typical voyage with respect to cattle, or with respect to grain, or something of that sort?

[Sir Henry Thornton.]

Q. But suppose we had these four from Quebec?—A. If you would not mind limiting your requests, as far as possible, to those for specific information in regard to typical cases, it will simplify the work a great deal. What you want to particularly know is how this cattle proposition works out?

Q. Yes?—A. We can take these four voyages from Quebec and give you the consist of the vessels, the number of head of cattle and other commodities, the gross revenue for each one of these commodities, and the operating expenses for each voyage, and depreciation and capital charge, and anything of that sort, so you can see how that particular voyage relative to cattle works out, and that will be an important thing, because you cannot load your vessel entirely with cattle; you have to fill in with other commodities, and that would give you a pretty good idea of how the cattle proposition works out, although, in general, I can tell you the expense of handling cattle per head on the voyage.

Q. What would your average be—

By Mr. Harris:

Q. Before you reach that point there is one important thing in that summary. Is it possible to also give us the point of origin of the different commodities? For instance, you mentioned hay?—A. I think I could.

Q. Not necessarily the exact point, but approximately; say, Central Quebec?—A. I think we could as regards the grain and cattle, but there might be some miscellaneous shipments that would not be worth while hunting down. You might get a package from Hamilton, or one from Toronto, which would not amount to anything.

By Mr. Stewart:

Q. You could pick out a voyage where the cargo consisted very largely of grain and cattle—the two combined—and give us some figures on that?—

A. I think these voyages we are talking about will do that.

Q. If there is one, it will be satisfactory—if there is one where the balance of the cargo over cattle is grain, it would be satisfactory?—A. In other words, you would like a voyage in which, say, 75 per cent of the cargo was cattle and grain?

Q. Were the full complement of cattle?—A. These voyages were all with a full complement of cattle.

Q. And as large a percentage of grain as you ever carried?—A. It may be that it will work out—that one or more of these voyages will work out and give you what you want, but if we have not got it, we cannot produce it; if we have not a voyage in which there is a large amount of grain plus the cattle, we cannot get it, but these were the only voyages made of that character, and we ought to be able to reveal the information you want.

Q. You mean there were only voyages from Montreal in which a full complement of cattle—A. I think there were six.

Q. I think it more probable that the grain complement would be added at Montreal rather than at Quebec?—A. Yes. Let us investigate these four voyages from Quebec and the six from Montreal. That will surely give you what you want, because there is not anything else.

By Mr. Jelliff:

Q. In that statement you indicate the cost of fitting the vessel for carrying cattle, Sir Henry?—A. Yes—

Q. I understand that is quite an item of expense?—A. This, perhaps, will interest you. I think I have got that. I can give you the total cost of handling cattle. I think you will find this interesting. The following statement indicates what it costs to carry cattle. Erection of fittings; that is, you have to put in special fittings for handling cattle; you have to have a turkish bath

[Sir Henry Thornton.]

APPENDIX No. 5

and manicores and things of that kind according to the various boards of Agriculture, so you have to have special fittings. That amounts to \$7,000 per ship.

By Mr. Stewart:

Q. Is that a permanent fitting?—A. No, it is permanent as long as it lasts, but it is not an integral part of the ship.

Q. You will likely use it for more than one voyage?—A. Yes. It costs \$7,000, and if you capitalize that at $5\frac{1}{2}$ per cent interest, that amounts to \$385, and we had six voyages with this particular ship, which brings it down to \$64 per voyage for that item. We assume the fittings would last ten years unless removed or destroyed, and it works down to \$117 per voyage. Then there are certain small repairs which have to be made from time to time to the fittings, and that runs about \$50. Part of the fittings might be carried away by heavy seas, and have to be renewed. Then we are obliged to provide cattle attendants, victualling, and so forth; we have one veterinary, and a foreman and nine men. That works down to \$330 per voyage. Then there are certain losses to equipment, dishes and so forth, which are used for the attendants. That is a small item; only \$25 per voyage. On the average it costs \$325 to load the cattle per voyage—

By Hon. Mr. Graham:

Q. Does that include the unloading?—A. No, that is only the loading. There is an extra expense incurred in discharging cattle at Cardiff, that is, pilotage, dock dues, towage, boating, cleaning ship and things of that sort, which works down to \$427 per voyage. I will give you the details of that—

By Mr. Stewart:

Q. With regard to that loading charge; at Montreal I understand there is a double loading; you have to load into the cars, unload the cars at the docks, and reload into the vessel?—A. That includes everything in the way of loading. At Cardiff and United Kingdom ports it takes about a day to disinfect and clean out a ship after arrival, therefore you have to wait after you discharge the cargo. That is an additional \$400. Then, we have to carry cattle feed, which comes to about 10,000 cubic feet. This means there is that much cargo space which is not occupied for cargo, and upon which there is no charge. If we did not use that cargo space for that purpose we could use it for other cargo, so you have to charge up the loss against that, which is \$700 per voyage. This is an interesting point. If we did not carry cattle on these ships we could use that space for more remunerative traffic, traffic which would pay us more than the cattle; therefore, we are justified in charging against the cost of carrying the cattle, the loss of revenue which we would receive had we handled more remunerative traffic. That comes to \$1,485 net loss per cargo.

By Mr. Harris:

Q. Would lumber be more remunerative?—A. The average rate we would get would be \$8 per ton for general cargo as compared with the revenue from cattle, which is considerably less.

By the Chairman:

Q. You have no difficulty, have you, in securing a more remunerative business?—A. No. I was doubtful about that myself. When I examined this I thought at first it would not be fair to include this item precisely as it is put down there, but on going into the matter, I found that without doubt the same space would invariably have been occupied by traffic cargo which would have paid us at the rate of \$8 per ton, and be a more remunerative cargo because it would not have to be fed, and attended and looked after on the way over.

[Sir Henry Thornton.]

That is really a large item of expense in handling cattle. When you put a general cargo shipment aboard a boat it is there, and you do not have to bother about it until you get to its destination, but when you have cattle, they require constant attention all the way over; they have to be fed and watered, and, if sick, have to be cared for, and all that sort of thing.

By Sir Henry Drayton:

Q. What is the general cost of loading and unloading a general cargo as against a cattle cargo?—A. Well, it is somewhat more expensive, because a steer has his own means of propulsion.

Q. Is there any credit in that statement on that score?—A. We have made a credit of \$875.

By the Chairman:

Q. Why not carry the more remunerative cargo?—A. The answer is this; if you are in the transportation business you cannot refuse to handle certain classes of traffic. In other words, a transportation company, whether it be a steamship company or a railway company, cannot entirely pick and choose the most remunerative traffic. You perform a general transportation service, and while, within certain limitations, you may be able to pick and choose with respect to the remunerative qualities of the traffic, you have got to take more or less what comes.

Q. You have to give a service to everybody?—A. Yes. It is like a man running a department store. You go in there and expect to buy pins and are irritated and annoyed if you do not get pins. Maybe he does not make a penny on pins, but he has to carry pins in his stock for the benefit of his clientele, and what he loses on pins he makes up on silks and neckties and things of that sort, so you cannot entirely choose the most remunerative traffic and reject the other, particularly in our case in handling a traffic like cattle which is so important, not only to the western farmers, but also to the Dominion as a whole. We cannot refuse to handle that traffic in preference to some more remunerative traffic.

Q. You take all that is offered—A. Well, substantially so. Of course, on the other hand, you have to consider this. Our ships are not particularly well adapted for the handling of cattle; they were not built for that purpose. This is not in criticism of the ships, but when they were built the traffic was not anticipated. Probably, if we were going to build new ships which would be exclusively used for the handling of cattle, we could build a more profitable ship, a ship that would enable us to carry more cattle at less expense, and handle it better.

By Sir Henry Drayton:

Q. For example, the Atlantic Transport makes more money on their cattle than we do?—A. I suppose they do. A very outstanding example of special types of ships for special cargoes is in the carrying of coal on the Great Lakes. They are specially designed for the purpose, and nowhere in the world is such a large tonnage handled, loaded and discharged, at such low cost, than is coal on the Great Lakes. It is almost phenomenal what can be done.

By Mr. Harris:

Q. Is it not a fact that cattle can be loaded at Quebec easier than at Montreal?—A. There is practically no difference.

Q. Perhaps you can amplify that a little. As I understand it, cattle have to be loaded on to cars at Montreal and then reloaded again—a double handling; whereas, in Quebec we know the car is put right alongside of the loading dock?—A. That is a detail, and I would not care to take the responsibility for answering that. Perhaps Mr. Doherty can answer that better than I can.

[Sir Henry Thornton.]

APPENDIX No. 5

Mr. J. P. DOHERTY: In saying that Quebec and Montreal are practically the same, I am speaking solely from the steamship standpoint, where the cattle are delivered alongside the steamer. If you take into consideration the reloading at the stockyards in Point St. Charles, and the switching to the railroad and discharging again, the cost is more.

Mr. STEWART: I was asking if that transfer is charged in this \$325?

Mr. DOHERTY: I think Sir Henry was speaking from the steamship angle of the situation only, and did not have in mind the operation of the railway to bring these cattle on to the docks at Montreal.

Mr. STEWART: You think his answer should be modified?

The WITNESS: It depends on what you mean by "loading." If you mean simply the operation of putting the cattle aboard from the dock, it is one thing, but if you mean getting the cattle from the stockyards on to the ship, that is another thing.

By Mr. Forrester:

Q. The charge is lower from the cattle yard to the dock?—A. I was drawing a sharp line of demarkation right at the dock. I did not mean to lead you astray.

Sir HENRY DRAYTON: You were dealing with steamships, of course.

By Mr. Stewart:

Q. With regard to this cargo which you say could be placed in the space occupied by cattle; do you mean that is a loss to the Merchant Marine, or is all that is offered carried by another boat?—A. What I mean to say is this: If the cattle were not carried on a particular vessel, that space would be used and could be used for a more remunerative traffic. Have I made that clear.

Q. That does not quite answer the question. Do you sacrifice that cargo or carry it in another vessel?—A. That I think is asking me to go rather far afield. We might lose on account of carrying cattle, let us say, a certain number of tons of more remunerative traffic. I cannot answer as to whether that would move in some other vessel, or whether it would not.

By Sir Henry Drayton:

Q. It would depend whether the owner wanted to get it across or not?—A. I suppose so.

Q. If he were altruistic enough and wanted to keep everything for the Merchant Marine, he would hold it—A. The chances are he would.

By Mr. Stewart:

Q. The point is, if it goes to some other vessel you do not lose the profit—A. In the aggregate you are right in that, but the only way I could answer your question is by saying that we lose that much cargo.

By Hon. Mr. Graham:

Q. You have to take each ship by itself?—A. Yes, sir.

By Mr. Stork:

Q. When did the last cargo of cattle leave Quebec?—A. Last October.

Q. What is the reason the shipments have been discontinued?—A. They were discontinued during the winter time on account of navigation being closed. We have resumed now. There has been one shipment this spring.

Q. The Quebec people expected a great deal from that service. There was a large parliamentary delegation went down about a year ago to attend the loading of the first ship. They were interested because it meant traffic for our

[Sir Henry Thornton]

own ships and for our own railway?—A. From the railway point of view that is useful traffic, because it provides tonnage at points where we need it, that is to say, the Transcontinental from Winnipeg to Quebec. That is sparse in traffic, and it is a part of the railroad upon which I would like to build up traffic.

Q. Is the cattle disease which has been prevalent in England, a cause of the interruption of the shipment of cattle from Canada to the Old Country?—A. I suppose to a certain extent, it was.

Hon. Mr. GRAHAM: It closed some of the ports last year.

The WITNESS: I think all of the ports were closed for a time, excepting Dundee.

By Mr. Harris:

Q. One further question in regard to these fittings. You mentioned \$7,000 being the capital required to pay for fitting up a vessel?—A. Yes.

Q. Did that include the whole cost of changing them into vessels suitable for carrying cattle?—A. That includes the entire amount of money which we had to spend on the ships to make them suitable and available for handling cattle.

By the Chairman:

Q. You mean \$7,000 capitalized?—A. No, it cost \$7,000 per ship. We charged an item into our expenses of $5\frac{1}{2}$ per cent per annum on \$7,000.

Q. That is the capital charge?—A. The capital charge is \$7,000 but only $5\frac{1}{2}$ per cent per annum enters into the item.

The CHAIRMAN: I think Mr. Harris was under the impression that \$7,000 was the interest—

Mr. HARRIS: No, Mr. Chairman—

Sir HENRY DRAYTON: No, that is the capital amount.

By Mr. Stewart:

Q. You made a depreciation over 10 years?—A. Yes.

By Mr. Milne:

Q. It is generally thought by the public that the cattle carried on the upper deck is using space that would not be used in any other way. That is not right, is it?—A. In preparing this statement we only charged against this cattle proposition that part of the space which would be available for other cargo. I do not know how much of that—

Mr. DOHERTY: Just the under-decks.

By Mr. Jelliff:

Q. What do you do with the fittings on the return trip? Do you have to tear out any of this stuff?—A. No.

Q. That does not cause you any additional expense?—A. No. Now, to go on with these various items of expense. Simmered down it amounts to this; it makes the cost of carriage per head \$17.48, and the revenue per head at the present rate is \$20, leaving a profit to the company of \$2.52 per head.

By Sir Henry Drayton:

Q. Does that include all the items you have mentioned?—A. Yes.

Q. And does that include a fair proportion of the fuel and other expenses of the voyage?—A. No, it is the bare cost of handling the cattle. We have not charged anything for operating the ships against these cattle. Perhaps we should.

APPENDIX No. 5

Q. It really puts itself in this position, that the difference between \$17.48 and \$20 will apply on the general cost of running the boat?—A. That is it.

Q. And you find out afterwards whether you have made a profit or a loss?—A. It does not require a very wide flight of the imagination to see what happens, especially if you charged interest on the cost of the vessel. While I do not want anything that I say to be misinterpreted as an effort in the direction of propaganda for increasing cattle receipts, at the same time, generally speaking, \$20 per head on cattle to the United Kingdom is not considered a high charge in the shipping world.

Q. Have you any idea, Sir Henry, what it would really mean if we had boats of the type of the Atlantic Transport—special cattle boats?—A. I cannot say.

Q. That has been one of the most remunerative lines of the International?—A. I think the best way to get at that would be to see if we could not get their figures.

Q. What do they carry cattle for?—A. The rate has been practically the same as ours during the past year. There have been one or two instances where lower rates have been taken in times of stress, but the rate has usually been the same as our own—\$20.

By Mr. Stewart:

Q. What is the tonnage of these vessels of this cattle transport?—A. 8,400 tons, and those would be the only ones that would be at all suitable for this class of traffic.

By Mr. Forrester:

Q. How many head of cattle do you carry on a boat?—A. 233.

By Sir Henry Drayton:

Q. I suppose that type of boat is the most successful in the cattle trade?—A. I think there is no doubt about that.

Q. This runs from 13,000 to 15,000 tons?—A. I don't think they are going over that. You see, there is not much difference between water transport and rail transport. The maximum of economy in rail transport comes when you have the maximum number of tons of revenue freight behind a locomotive; the maximum economy in ocean transport comes when you have the maximum of cargo per horse power of engine capacity. It is a simple problem of filling your vehicle to its maximum. Your maximum economy in passenger traffic comes when you fill the train.

By Sir Henry Drayton:

Q. Have you finished on the cattle business?—A. Yes.

Q. Well, while we are on that, I may say that Mr. Sales brought up in the House the question of chilled meat. What position is the company in with respect to chilled meat?

MR. DOHERTY: We have, at the present time, in the United Kingdom service four steamers fitted with refrigerators capable of carrying approximately 10,500 cubic feet of cargo, and we would be in a position to carry chilled meat just as we are in a position to carry frozen meat or cool-air meats if chilled beef should be offered to us for transportation.

SIR HENRY DRAYTON: How frequent service could you give?

MR. DOHERTY: We have two steamers in the London service, which would make one sailing each month, at the present time.

SIR HENRY DRAYTON: What would it really mean if you were asked to give a weekly service for chilled meat? What extra equipment would you have to have?

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

Mr. DOHERTY: It would require the transfer of two additional refrigerated steamers to the London route, and the withdrawal of them from other routes. to which they have been allotted.

The WITNESS: What two are they?

Mr. DOHERTY: Two in the Cardiff and Swansea service, and two in the Australasian trade.

By Sir Henry Drayton:

Q. Are they profitable now?—A. At times we get reasonable cargoes, and at other times we do not.

Q. What is the rate?—A. The rate would be quoted in cents per cwt., \$1.50 or 1½c. per pound.

Q. \$1.50?—A. Per cwt.

Q. How would that work out in relation to the rate on the live animal? How does it compare? What does the average beast weigh dressed?—A. I am afraid I am not sufficiently experienced—

Q. Well, take one weighing about 700 pounds, that would be the average beast. What did you say the rate was?—A. \$1.50 per cwt.

Q. That would be a rate of \$10.50?—A. Yes.

Q. So that you would get over practically two carcasses for the cost of one steer?—A. That is correct.

Q. On the other hand, it is also proven that your rate of \$1.50 would be far more remunerative to you than your present rate on live stock?—A. I don't think there is any doubt but what chilled beef would be more remunerative traffic than cattle on the hoof, for the reason you lose a good deal of space—

Q. Put it another way. That rate of \$1.50 per 100 pounds is almost the maximum rate—that \$10.50 for a 700-pound carcass?—A. What do you mean by the maximum rate, Sir Henry?

By Sir Henry Drayton:

Q. That would be highly remunerative freight traffic?—A. It would be very good.

Q. Highly remunerative?—A. No, I would not cause the thought to be outstanding in your mind, because we are getting to-day for frozen boxed meats, which would stow 33½ per cent more in our chambers, \$1.15 per 100 pounds.

Q. Against \$1.50?—A. That is true. But we can carry about 50 tons more frozen boxes than we could chilled carcasses in the same place.

Q. A larger tonnage?—A. We will say 100 tons chilled against 150 frozen.

Q. You would have 50 per cent better loading capacity?—A. It makes the rate for either commodity practically the same.

Q. Can you compare that rate with lumber?—A. Oh, there is no comparison with lumber.

Q. Meat is more profitable?—A. Without question.

Q. So, if this chilled meat business at the present rate—if you could get enough of it, it would be highly remunerative freight?—A. Without question, if moving in large quantities.

Q. Then you could decrease the rate?—A. No, I would rather think we would increase the refrigerating capacity. There you get into a question of policy and a question of economics. There is no rule I have ever discovered, or no formula for determining any freight rate other than how much the traffic will bear.

Q. No, it is not quite that?—A. Well, it is pretty much that. What really determines the rate, is what you can get for it.

Q. What you can make the other fellow pay, and then it is not what you make them pay, but what the North Atlantic Conference makes them pay?

[Sir Henry Thornton.]

APPENDIX No. 5

—A. No. In determining what you are going to make the other fellow pay, you have to take into consideration his condition. It would be folly to charge a rate which would seriously interfere with the development of his business. Sometime you make an almost unremunerative rate for what is called "Infant industries."

Q. Do you look on this chilled meat industry as an "infant industry?"

By Mr. Stewart:

Q. Have you any figures of what you actually carried in chilled meats last year?

Mr. DOHERTY: No.

Sir HENRY DRAYTON: None whatever.

Mr. DOHERTY: None whatever.

Sir HENRY DRAYTON: Have the United States a monopoly on that?

Mr. DOHERTY: As far as I know there is very little going from the North American Continent. I think they are running it more in frozen carcasses.

Mr. STEWART: This space you are quoting on at this rate is sufficient to carry it without crowding? I have understood that is an important condition—it must not be packed or crowded?

Mr. DOHERTY: It would be hung.

The WITNESS: Here is something that may interest you. With the exception of 568 quarters from Canada, the whole of the chilled beef for Great Britain was imported from the Argentine, Brazil and Uruguay. The value of the contributions to Great Britain were £30,000,000 and represent more than 40 per cent of the total importations for the year, and Canada supplied a very small part, almost a negligible part in the contributions of chilled meats to the United Kingdom.

By Sir Henry Drayton:

Q. Our chief competitors would be the Argentine and Brazil? What is the distance in miles from the Argentine to London?—A. I should say roughly about 6,000 miles.

Mr. DOHERTY: The fast steamers are making the voyage in approximately 30 to 35 days.

By Sir Henry Drayton:

Q. Is that Argentine or Brazil?—A. That is Buenos Ayres.

Q. That is a trip of 35 days against a trip of about eight days?

Mr. DOHERTY: Yes, approximately.

Sir HENRY DRAYTON: Do you have eight as against thirty-five?

Mr. DOHERTY: Yes.

Mr. FORRESTER: Is that 35 days for the round trip?

Mr. DOHERTY: No, one way.

By Sir Henry Drayton:

Q. So we have that geographical advantage in connection with a large business which we know is carried on profitably, by the farmers of this country? We have a geographical advantage of eight to 32, to cut it down a little bit. That means we should occupy a position of very great advantage so far as transport is concerned?—A. Yes.

Mr. KYTE: What is the relative railway haul?

Sir HENRY DRAYTON: Let us get one thing at a time.

Mr. STEWART: Where are you getting this "eight" from?

[Sir Henry Thornton.]

Sir HENRY DRAYTON: I am speaking of boats properly equipped.

The WITNESS: Sir Henry is taking a hypothetical service.

Sir HENRY DRAYTON: I am taking the same boats they have in Brazil. You cannot do business without the proper tools to do business with.

The WITNESS: You cannot putt with a brassie.

Hon. Mr. GRAHAM: I have known some people to try it.

Sir HENRY DRAYTON: What rate would it take from Buenos Ayres?

Mr. DOHERTY: I don't know that.

Sir HENRY DRAYTON: Could you find that out?

Mr. DOHERTY: I don't know if we could find that out.

The WITNESS: I think I could find that out.

Sir HENRY DRAYTON: You might also find out the particulars as to the class of boats.

By Mr. Milne:

Q. I think the statement was made that you could not ship chilled meat from the Argentine, that what is called chilled, is really frozen?—A. Chilled. I should think you could ship chilled beef from any place to any place, as long as you kept it chilled; it would not deteriorate.

Sir HENRY DRAYTON: I have a fancy that some was frozen—

Mr. STEWART: Our information is that what is called chilled is actually frozen.

The WITNESS: In whatever way it is handled whether it is chilled or frozen would depend upon the character of the vessel—

Mr. STEWART: If it is frozen, the space required would be much less than if chilled. Chilled meat has to be given lots of room so it will not be pressed.

Hon. Mr. GRAHAM: What is the difference?

The WITNESS: This (indicating) would seem to throw a little light on it:—

“The importations into Great Britain for 1923 consisted of 4,600,000 quarters of chilled beef and 2,637,000 quarters of frozen beef, and with the exception of 568 quarters from Canada the whole of the chilled beef was imported from the Argentine, Brazil and Uruguay.”

That would indicate that chilled beef was shipped from South America to the United Kingdom.

Hon. Mr. GRAHAM: Has anybody in Canada seriously tried to do business in exporting chilled meat?

Sir HENRY DRAYTON: Yes; the experiment was made by one of the Toronto packers. He lost money on it because he did not keep it up long enough; he did not get the market. He had to sell practically at frozen meat prices, and as it is more expensive to handle chilled meat than frozen meat he could not continue doing business in that way. He could not get the Old Country butchers educated. The only possible way to make a success is to stay in the market, and have very, very regular shipments.

Hon. Mr. GRAHAM: I think New Zealand has its own distributors in Great Britain—its own stores.

Sir HENRY DRAYTON: Both New Zealand and Australia.

Hon. Mr. GRAHAM: They tell me they not only sent their own meat, but their own people to sell it.

APPENDIX No. 5

Sir HENRY DRAYTON: They opened up a couple of retail stores for the purpose of getting the English people into the habit of knowing what they had, and knowing they could get it regularly.

The WITNESS: What they tried to do—and I happened to be there more or less at the time, so I know something about it—was to try to educate the English people to eat chilled or frozen beef as compared with the home-grown article, and it was a terribly hard business. I think the War taught them a great deal. I will tell you what I found in buying meats for our hotels on the Great Eastern Railway. We bought Armour's chilled and frozen meat at materially less prices than the home-grown article; so much so, that as a measure of economy I abandoned the use of the home-grown article and bought the chilled article. There were certain individuals—among others, my old Chairman—who said they could tell the difference between home-grown beef and chilled beef, but I don't believe they could. I doubt if anyone could, but there was considerable reluctance on the part of the population of the United Kingdom to use chilled and frozen meat as compared with their home-grown article.

By Mr. Harris:

Q. There is a marked distinction between chilled and frozen beef—A. I am referring to the way it tastes to the palate. I cannot tell the difference. I take it that what we are really shooting at is that if proper facilities were provided and we addressed ourselves to the effort of properly transporting chilled or frozen meats from Canada to the United Kingdom, we could develop an industry profitable to the people of Canada.

Hon. Mr. GRAHAM: And also for the Merchant Marine?

The WITNESS: It is the same thing. It affects the people of Canada either way. They can pay money for the deficits in the form of taxes, or give us a remunerative rate. I think the sensible thing to do in any traffic is to allow the transportation instrument a reasonable profit, so it can stand on its own feet.

By Mr. Stewart:

Q. On the other hand you do not want to take out the Treasury of Canada a sum to help reduce the deficit?—A. When you get to that point, the thing is probably no more important in point of view, because you can do it in two ways; you can make the people of Canada pay more taxes to make up the deficit, or allow the Merchant Marine or railways a reasonable profit. It ought to be possible to avoid both of these difficulties, if there is anything in this proposition to develop the transportation instrumentality which will stand on its own feet, and at the same time enable the raiser of cattle and makers of chilled beef to make a reasonable profit as well. That is the objective we want to reach. We do not want to "soak" either one.

By Sir Henry Drayton:

Q. We want that business to grow. We do not want to rob anybody. I am sure a very much lower rate could be put in if we had the volume.—A. What the transportation companies could do as the volume of business increased, or the profits mounted—

Q. The first thing would be a commodity rate?

By Hon. Mr. Graham:

Q. Both ends would be to start small.—A. You have to pay certain establishing expenses to get a thing going.

Sir HENRY DRAYTON: Mr. Kite wanted some information—

[Sir Henry Thornton.]

By Mr. Kyte:

Q. How far does that chilled meat have to be hauled to points of shipment in the Argentine—how much farther than in Canada?—A. I have not looked it up lately, but there lingers in my mind a suspicion, having looked it up once, that the rail haul on dressed beef in the Argentine, the haul of the raw material, or the rail charge which enters into it, either directly or indirectly, would be less in the Argentine, than in Canada.

By Mr. Milne:

Q. Alive or dead?—A. You would have to take it both ways, because it must be hauled alive, before it can be hauled dead.

Sir HENRY DRAYTON: It is my recollection that as against the average haul in this country, or probably 2,400 miles, there would be the haul in South America of probably not more than 800 miles.

The WITNESS: I think probably that is about right.

Sir HENRY DRAYTON: That is a misty recollection. On the other hand, the mileage rate on the railroads is very much less here than it is there.

The WITNESS: That is true, and as evidence of that, the Argentine railways have paid quite handsomely.

By Sir Henry Drayton:

Q. The Canadian farmer could export a greater mileage at the same rate?—A. The same rate in Canada would carry him much further inland.

By Mr. Harris:

Q. Is it possible for these 8,400 ton freighters to go to the Great Lakes?—A. No, they cannot go through the locks.

By Mr. Stewart:

Q. To me transit being an important factor in this chilled meat trade, it would seem in our Merchant Marine at the present time we have not the number of vessels which would really compete?—A. I should say, generally, we have no really first-class implements in the way of vessels for handling a business of this character. We have something, but it is not like the Transport Company.

Q. Bearing in mind the 35 days from Buenos Ayres to London, of which you spoke, how many days would it take our boats fitted for this service, to go from here?

Mr. DOHERTY: From 12 to 14 days.

Sir HENRY DRAYTON: So even with a slow boat we have a considerable advantage in time.

The WITNESS: Excepting this: only a percentage of our boats are equipped for this character of service, while the vessels which ply this trade regularly are fully refrigerated. I doubt whether the question of speed makes a lot of difference.

Sir HENRY DRAYTON: I think it does. It is very important in chilled meat; not in frozen, but in chilled it is important. The thing to do with chilled meat, Sir Henry, is to try to get your product to the English butcher in the same condition, as nearly as possible, with his own meats. You know, in England they hang their beef for a pretty long time. The reason they do that is because they like it tender, and they have not a very great fluctuation in temperature, and that means you cannot have the meat too cold—

The WITNESS: I presume that is so.

Sir HENRY DRAYTON: I presume, Mr. Chairman, if we can get something worked out in connection with the chilled meat, we would be doing more to

[Sir Henry Thornton.]

APPENDIX No. 5

put the farmers on their feet in this country than anything else, and the addition of one or two boats, or three or four boats, with a real effort to see that chilled meat service is continuously available right from the farmers' nearest shipping point—

The WITNESS: You will have to bring the packers into that too. The farmer produces the raw material, and the packer is really the manufacturer.

Sir HENRY DRAYTON: They would be glad to come into that.

The WITNESS: Does it not come down to this? We have gotten on the scent of something that has an economic aspect in its relation to the western farmer, in this chilled and frozen meat proposition. That involves rail transport and ocean transport, production on this side, marketing on the other side, and a whole lot of things. Would it be worth while to help to crystallize any conclusions which this Committee may express, if we undertook at once an economic study of the thing, not only from the steamship point of view, but from the point of view of considering competition, markets, etc., because it is quite possible this Committee may wish to make some very definite recommendations with respect to policy, and I do not see how you can do that unless some one makes an economic study of the whole position, probably the various points which have been touched upon here.

Hon. Mr. GRAHAM: Transportation would, of course, be a great factor insofar as an investigation of the trade is concerned. Do you not think that between the Agricultural Committee and the Department of Trade and Commerce, they ought to work that out?

Sir HENRY DRAYTON: I would like to see something done. I believe in having all your eggs together, in a thing like this, and I think any proper traffic man ought to know everything about every business in the country. I think that can be done.

The WITNESS: I do not want to be so imprudent as to suggest to this Committee what they should do or should not do. It was simply a suggestion to let me assist you in arriving at some conclusion.

Sir HENRY DRAYTON: My idea is that you can do it very easily.

By the Chairman:

Q. Sir Henry, would that imply that if you find it advisable to assist the western farmer in the chilled meat business, you would have to construct new vessels for that purpose?—A. I think—

Sir HENRY DRAYTON: I don't think you could say that at all, because you have a movement already of 14 days against 35.

The WITNESS: I am only expressing a suspicion.

Sir HENRY DRAYTON: You are certainly getting a rate which is remunerative, with small exceptions.

The WITNESS: There is no use discussing a transportation subject if there are to be external influences which would kill it.

Sir HENRY DRAYTON: We have the Government control, and it should be an easy thing to put in a system which would assure our handling this traffic.

The WITNESS: We would look at it from two points of view; what could be done with what we have, and what more could we do with something additional.

Hon. Mr. GRAHAM: And what would it cost to transfer what we have into something more adaptable?

The WITNESS: I think the West India field is the best field we have got.

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

By the Chairman:

Q. I notice that practically all of your long distance voyages result in losses—A. That is generally explained by the fact that on the long-distance hauls we do not get full tonnage both ways; we get it outbound or inbound, but not both ways.

Q. Why are these nine vessels laid up at Halifax and six at Montreal? —A. Those are the small vessels, for which we have no traffic. We have sent some of these vessels up to the Lakes.

Hon. Mr. GRAHAM: I think the Committee would like to know if there was some way we could serve the public by utilizing these small boats. Even if we did not make any profit, if we kept even, we would be giving a service to the public, and would be performing a function which we are not doing now.

The WITNESS: We have done the best we could with these small boats, but they are not fundamentally profitable boats.

By the Chairman:

Q. Do they entail a heavy waste when they are tied up?—A. No; except to keep them in condition.

By Sir Henry Drayton:

Q. How large a crew do you have to leave on them?—A. Only a watchman.

Hon. Mr. GRAHAM: I was going to suggest that we are getting along to a time when we are trying to do business as rapidly as possible. We have had a very instructive open discussion this morning. I have learned a lot of things this morning, as I think we all have. If you do not mind, I would suggest we meet just as quickly as possible. We do not want to keep Sir Henry here when his time is so valuable, and he ought to be out doing our business.

The witness retired.

The Committee adjourned.

COMMITTEE ROOM 231,

HOUSE OF COMMONS,

WEDNESDAY, June 18, 1924.

The Select Standing Committee on National Railways and Shipping met at 10.30 o'clock a.m., Mr. Euler, the Chairman, presiding.

The CHAIRMAN: Gentlemen, we have a quorum. I presume we will continue with the evidence of Sir Henry Thornton, which was commenced yesterday.

Sir HENRY THORNTON, recalled.

By the Chairman:

Q. I presume that when you refer questions to Mr. Doherty, his answers are to the same effect as if coming from you?—A. Yes, that is right. Mr. Doherty is connected with the Marine Department and probably knows more about some of these things than I do.

Hon. Mr. GRAHAM: I think it is only fair to say that Mr. Teakle, the Manager, is in Europe or he would have been here.

The WITNESS: Yes. We had to send him to Europe to look after some shipping matters there of considerable importance. That is the reason he is not here.

[Sir Henry Thornton.]

APPENDIX No. 5

MR. CHAIRMAN: I think perhaps the first thing the Committee would like to have me do would be to answer the questions which were asked yesterday for particular information on certain subjects. The Committee will remember that yesterday it was requested that statements showing the results of voyages of the steamers carrying cattle from Montreal and Quebec for the season of 1923, be furnished, showing the total earnings and expenses, earnings from cattle and other principal commodities separately, and earnings on basis of cargo consisting of grain and cattle alone; secondly, statement showing details of receipts from and estimated out-of-pocket costs chargeable to handling of cattle based upon capacity of 233 head; third, results of operation of steamers carrying grain on Great Lakes and pulpwood from gulf ports; fourth, ocean rates on chilled beef 1923, Argentine to United Kingdom, including the type of vessel in the trade, speed of vessel, average rail haul in Argentine to ports of export, rail rates, and comparative data for Canada. This information is only available in parts; fifth, number of Merchant Marine personnel, and, lastly, a description of the West Indian trade.

Now, taking the first one. This is a statement showing the result of a voyage of a steamer carrying cattle from Montreal for the season of 1923. Voyage No. 14, steamship "Commander," sailing July 27th—

By Mr. Harris:

Q. Have you any copies of that statement?—A. No, but we would be glad to furnish them.

HON. MR. GRAHAM: The Committee should have a full copy.

THE WITNESS: I might say that our time was pretty short to get these up, and it necessitated telephoning to Montreal, and scratching about considerably.

HON. MR. GRAHAM: Will not a copy of the proceedings contain this statement?

THE WITNESS: I will give the copy of this to the reporter, who will duplicate it, and that will give you what you want.

HON. MR. GRAHAM: I think we should have it done. We ought to have copies of this.

THE CHAIRMAN: There are only three copies of yesterday's proceedings here this morning. I will direct the reporter to get out additional copies, one for each member of the Committee —

HON. MR. GRAHAM: I would suggest when we are making these that we will have to make a few copies extra so as to give a copy to the Prime Minister, to Mr. Meighen, and to Mr. Forke.

THE WITNESS: I would like to have a copy also, in order to be able to check these figures.

THE CHAIRMAN: There are 15 members of the Committee; will 20 copies be enough—or 25?

HON. MR. GRAHAM: We will have 25, I think, and then there can be no question about it.

THE CHAIRMAN: (To the reporter): Make 25 copies of the proceedings.

THE WITNESS: I will give a copy of all this to the reporter so it can be incorporated in to-day's proceedings accurately.

The first was Voyage 14, sailing on July 27th; destination Cardiff; the cargo consisted of 216 head of cattle, 167 tons of cheese, 285,788 bushels of grain, 215 tons of provisions, and 104 tons of cereals. The gross earnings east-bound amounted to \$30,554.37, of which \$4,320 was earnings from cattle. The balance was from all the rest. The financial aspect of that trip was as follows—

[Sir Henry Thornton.]

let me go back a minute; the figure I gave you of \$30,555.37, was for the east-bound trip. Now, the earnings on the westbound trip amounted to \$3,314.94. That is to say, they were about $\frac{1}{10}$ of the earnings of the eastbound trip, making the total earnings for the round trip voyage \$33,869.31, because we reckon the voyage in round trips. The expenses of the round trip amounted to \$38,450.63, or a deficit on the round trip voyage of \$4,581.32.

By the Chairman:

Q. Does that include everything?—A. No; that includes simply the running expenses, nothing for depreciation or capital charges. It included insurance. It included what you might call the out-of-pocket expenses. That would be for a mixed cargo of cattle and general commodities—fairly typical.

Voyage No. 15: Steamship "Commander" sailing September 24th, also destined to Cardiff. That ship carried 150 head of cattle, from which the revenue was \$2,700. The total revenue eastbound was \$20,336.98; westbound the cargo only brought in a revenue of \$266.59; the total revenue of the round trip voyage were \$20,603.57, and the expenses \$33,175.91, leaving a deficit of \$12,572.34. It is only proper to say in this connection that on that voyage there was nothing like a full cargo; we could not get a full cargo eastbound and there was practically nothing westbound.

By Mr. Stewart:

Q. Was cattle carried at less than the regular rate?—A. There were some cattle that were carried at 10 per cent less than the going rate.

Mr. DOHERTY: Fat cattle weighing in excess of 1,000 pounds was carried at the \$20 rate; cattle weighing less than 1,000 pounds, which we call "stockers" took a rate 10 per cent less than \$20, which was \$18.

The WITNESS: Stockers are cattle to be fattened on the other side.

Mr. DOHERTY: We can stow five stockers in space provided for four ordinary cattle.

The WITNESS: You cannot draw a fair conclusion from that voyage because the circumstances were such that there was a partial cargo eastbound, and practically nothing westbound.

Voyage No. 16, the steamship "Commander," sailing November 17th, destination Dundee. That ship carried 272 head of cattle on which the earnings were \$6,800, and, like the other voyages, various other commodities consisting of grain, lumber and provisions, and some nickel oxide. The gross earnings eastbound were \$38,132.74, and westbound \$1,061.38, or a total of \$39,194.12. The total expenses were \$37,841.97, leaving a surplus on that voyage of \$1,352.15.

By Mr. MacKinnon:

Q. Was that to Scotland?—A. That was to Dundee. I suppose we made money because it went to Scotland.

By Mr. Stork:

Q. Is that the only voyage in 1923 which showed a surplus?—A. No, there was a better one than that.

By Mr. Stewart:

Q. Did it have a larger westbound cargo?—A. No. The earnings eastbound were \$38,132.74, and the westbound earnings were \$1,061.38. You see the distinguishing feature of all these voyages is the very small westbound cargo.

By Mr. MacKinnon:

Q. What was the nature of the freight westbound?—A. Tin-plate, as a rule, from Bristol Channel points.

[Sir Henry Thornton.]

APPENDIX No. 5

By Mr. Harris:

Q. Did that have its full complement of cattle?—A. I should say, yes. That is as many as you could get on—272. You ordinarily figure on about 235.

Mr. DOHERTY: That is for fat cattle; for stockers we can accomodate 270 to 275.

The WITNESS: That would be a full cargo of cattle.

Voyage No. 13; steamship "*Mariner*," sailing July 13th, destined to Cardiff with 216 head of cattle, which brought us \$4,320; the gross earnings for the round trip voyage were \$37,222.81, and the expenses were \$39,516.33, leaving a deficit of \$2,293.52.

Here is the best voyage we had, the steamship "*Mariner*" again, sailing on November 9th, destined again to Dundee. The ship on that voyage carried 271 head of cattle, from which the enarings were \$6,775; the total earnings for the round trip voyage were \$41,512.98, and the expenses were \$38,796.27, leaving a surplus of \$2,716.71. We considered that a very good voyage?

Mr. DOHERTY: That was a reasonably good voyage, sir.

Mr. STEWART: The rate there must have been over \$20.

Mr. DOHERTY: \$25; a special rate made for the carriage of cattle to Dundee.

Mr. STEWART: Where does the rate of \$20 apply to?

Mr. DOHERTY: To the west coast ports, Liverpool, Glasgow and Exmouth.

The WITNESS: Dundee is on the North Sea side, which involves going around through the Channel and is a longer voyage.

Those represent the particulars of the four voyages to which reference was made yesterday, as from Montreal.

By Mr. MacKinnon:

Q. There was a question asked in regard to chilled beef?—A. I have some particulars here of voyages from Quebec. There were four, I think, from Quebec.

The steamer *Leader*, Voyage No. 8, with 210 head of cattle. The earnings on the cattle were \$4,200. The destination of the steamer was Cardiff. The gross earnings for the round trip voyage were \$35,780.03, and the expenses, \$40,260.27, leaving a deficit of \$4,480.24.

By Mr. Harris:

Q. That is at the \$20 rate?—A. I suppose it would be about that.

By Mr. Stewart:

Q. Was there any grain in that cargo?—A. Yes, 220,294 bushels of grain; 86 tons of lumber, 132 tons of nickel oxide, 161 tons of provisions and 46 tons of phosphorous.

By Sir Henry Drayton:

Q. How near a full cargo was that?—A. That would be within 10 per cent of a full cargo.

Mr. DOHERTY: Absolutely a full cargo.

Sir HENRY DRAYTON: That is a bad result for a full cargo.

The WITNESS: There are two things to be considered in that. It is difficult to draw conclusions from those voyages unless you know all the details in connection with them. That voyage took 55 days, as against an average of somewhere around 41 days. (To Mr. Doherty) Why did it take so long?

Mr. DOHERTY: The strike conditions in Cardiff.

[Sir Henry Thornton.]

By Sir Henry Drayton:

Q. You had to include the strike expenses in that?—A. Yes, and the expenses of the crew, delays, and all that.

By Hon. Mr. Graham:

Q. What I do not understand, Sir Henry, is this: Is not the cargo that you take to Cardiff stockers?

Mr. HARRIS: Not with 210 cattle.

Mr. DOHERTY: Not always; it is, sometimes; sometimes not; sometimes one, sometimes the other, and sometimes a combination of the two.

By Hon. Mr. Graham:

Q. Can you get an analysis of this particular trip?—A. Yes. I was explaining that we had to add to that the expenses for the delay at Cardiff first, and the other was that again there was nothing like a full cargo westbound. The earnings westbound were only \$8,826.62, as compared with earnings of \$26,953.41, eastbound. The expenses would include a delay of about 15 days at Cardiff on account of the strike.

By Mr. Harris:

Q. And the rate there, I gather, is the same rate as applies from Montreal?—A. Yes.

Q. No difference in the rate from Quebec than from Montreal?—A. The same rate, yes.

By Mr. Stewart:

Q. You have no figures that would show us what difference it would have made on the voyage had a full cargo been taken on at Quebec? I take it all of the cargo excepting cattle was taken on at Montreal?—A. Those steamers started at Montreal and stopped at Quebec for cattle. It would be pretty difficult to get at that.

Mr. HARRIS: There would be one day, practically, would there not?

Mr. DOHERTY: We cannot get the general cargo at Quebec. The shippers are not prepared to pay the extra costs. Our grain is at Montreal in the ordinary course, and so is the general cargo. It is shipped via Montreal; there are lower railway rates to Montreal than to Quebec, and the ships must go to Montreal for grain and a general cargo.

By Mr. Stewart:

Q. What disadvantage is there in a vessel having to call at Quebec for cattle? Looking at it wholly from the vessel's standpoint, if it were loaded at Montreal with cattle how much would be saved?

Mr. DOHERTY: There would be saved approximately six to eight hours in time. That is the length of time consumed in docking the steamer at Quebec, rigging the steamer, loading the cattle, unrigging and taking the ship out.

Mr. STEWART: Would six to eight hours cover that?

Mr. DOHERTY: Yes. We have done it in four hours.

The WITNESS (To Mr. Doherty): Could you make an approximation of what that would amount to in a lump sum by way of expenses?

Mr. DOHERTY: Probably about \$500.

The WITNESS: I think, Mr. Stewart, that is the real answer you are after.

Mr. STEWART: Yes, that is what I wanted to get at.

APPENDIX No. 5

The WITNESS: Voyage No. 9, the steamer *Leader*, sailing August 16th; destination Cardiff. It carried 229 head of cattle, with gross earnings of \$4,580. The total gross earnings from that round trip voyage amounted to \$38,213.29; expenses were \$33,814.90, or a profit of \$4,398.39. That ship made the round trip voyage in 41 days as compared with 55.

By Sir Henry Drayton:

Q. What figure do you take into account for this delay?—A. Roughly, about \$500, but that is pretty difficult to do, I should think.

By Mr. MacKinnon:

Q. What was the destination of that voyage?—A. Cardiff.

By Hon. Mr. Graham:

Q. I think it is very important that we ascertain every time from what port in Canada the voyage was made?—A. These voyages are all from Quebec. The other lot I gave you just ahead of this were from Montreal.

By Mr. MacKinnon:

Q. Why should not cattle be sent from Montreal instead of Quebec?—A. Well, generally speaking, I think the rail rate to Quebec is preferred by the cattle shippers.

By Mr. Stewart:

Q. By the western shippers?—A. Yes. I understand they prefer sending the cattle to Quebec. It is a preferable arrangement. They come straight through on the Transcontinental, and in many ways we prefer it, because, as I explained yesterday, it is bringing increased traffic to that part of the railway which is sorely in need of traffic.

Mr. STEWART: The point I was trying to make with regard to the extra expense to the vessel was whether that was an offset to the additional revenue to the railway—

The WITNESS: There is not a great deal in that for the railroad.

By Mr. Milne:

Q. The shippers made a statement here last year that it meant a loss of 18 hours going to Quebec, rather than Montreal. One shipper reckoned he saved 20 per cent shrinkage by going to Quebec.—A. Shrinkage on the stock?

Q. Yes, that he would save 20 per cent by shipping from Quebec rather than Montreal.—A. 20 per cent would strike me as being pretty high—

Mr. HARRIS: 20 per cent of the shrinkage.

The WITNESS: Oh yes; that might be. I think that is probably true.

By Mr. Stewart:

Q. In the extra 20 hours of rail haul they would shrink pretty heavily?—A. He would save shrinkage by taking the cattle on at Quebec. Is that it?

Q. Yes. That point was raised by Mr. Graham that the inspectors in Great Britain did not all agree on the definition of "stockers" or "fat cattle". Do you accept their recommendations?

Mr. DOHERTY: The declaration of the shippers on this side.

Mr. STEWART: In taking your figure, they have no guarantee that when the cattle arrive in great Britain they will accept your classification here.

Mr. DOHERTY: No, I cannot say that.

The WITNESS: Oh, I should think they would have to agree then.

[Sir Henry Thornton.]

Mr. MILNE: Is it not the size of the cattle, irrespective of whether they are fat or lean?

Mr. DOHERTY: Absolutely, I do not know whether we use the proper terms in the steamship business, but we call a steer which weighs in excess of 1,000 pounds a fat animal, and those under 1,000 pounds, we class as stockers, and it is true that stockers will stow five in four ordinary spaces.

The WITNESS: (To Mr. Doherty): Do you think there would be much difference between the classification of the inspectors in the United Kingdom as compared with our shippers here—

Mr. DOHERTY: I have heard considerable discussion on that point, but I do not think, Sir Henry, that I am sufficiently conversant with the actual results to answer that question, but there has been considerable dissatisfaction expressed.

Mr. STEWART: Let me ask Mr. Graham this question. Was it not a fact that last year a shipment was divided in Montreal, consisting of the same cattle, and sent to two different ports for the purpose of testing it, and one lot of inspectors called them "fat" and required them to be slaughtered there, and the other called them "stockers" and permitted them to land?

Hon. Mr. GRAHAM: The same shipment of the same quality of cattle was sent to two ports; at one port they were condemned as too fat, and the other they were classed as stockers. I had photographs of the cattle which were rejected because they were too poor.

The WITNESS: I think that finishes Voyage No. 9. Now, Voyage No. 12, the steamship *Victor*, sailing July 5th; destination Cardiff, with 229 head of cattle, earnings \$4,580. The gross earnings for the total voyage were \$33,873.73; the expenses \$37,917.52; a deficit of \$4,043.79. Now, that was a long voyage too. That took 49 days, and that was about the time of this dockers' strike, and I expect the same reason applies there. That vessel was probably delayed nine or 10 days on account of the dockers' strike.

Voyage No. 10, Steamship *Leader*, sailing October 5th, with 242 head of cattle; earnings \$4,760; total gross earnings \$40,920.23; expenses \$38,281.66, leaving a surplus of \$2,638.57. That shipment was destined to Glasgow.

That is the information with respect to the various voyages from Montreal and Quebec upon which you yesterday asked for details.

By Mr. Stewart:

Q. Did all of these vessels from Quebec carry a grain cargo?—A. I think they did. They all carried grain running from 200,000 bushels to, well, you might say, from 220,000 to 225,000 bushels.

Q. Here is a point I wanted to make. Can you come to any conclusion from the figures you have here as to whether a grain cargo with a complement of cattle is any more profitable, or would show a profit, or come nearer paying expenses than cattle with any other cargo?—A. Let me say this. This represents the gross earnings for a 8,400-ton type of steamer, carrying a full capacity cargo of grain and 233 head of cattle, or practically a full cargo of cattle. The gross earnings work out this way; the grain would bring gross earnings of \$20,925, and the 233 head of cattle at \$20 per head would bring a gross earning of \$4,660, or a total gross earning of \$25,585. Now, the expenses would work out in the neighborhood of \$35,000?

Mr. DOHERTY: It would not be any better.

The WITNESS: On such a cargo there would be a deficit of approximately \$10,000?

Mr. DOHERTY: Positively, unless we could get a large westbound cargo, which is doubtful.

[Sir Henry Thornton.]

APPENDIX No. 5

The WITNESS: This whole thing is considerably involved with the possibility of westbound cargo. Obviously if you run a vessel full every day in the year eastbound, but can only get 20 per cent or 25 per cent or perhaps only even 10 per cent of the cargo capacity westbound, the voyage is bound to show a loss. The profits hinge very largely upon the extent to which we can secure westbound cargoes, and that applies not only to the steamship business but to practically every transportation activity. The deduction to be drawn from that is that we ought to address our efforts not only insofar as the railway and the steamship company is concerned, but so far as the Government can assist us in getting westbound cargoes. There is where the shoe pinches, and these figures point very emphatically to the necessity of getting more westbound cargoes in order to meet the deficit.

By Sir Henry Drayton:

Q. Do you carry coal on the westbound trips?—A. I do not think we have. There is very little coal westbound. We did once or twice, but there is not much in it. You get a very low rate on coal, and I doubt if the Welsh coal can compete with the ordinary coal here.

The CHAIRMAN: I see there will be a good deal of it come in this year.

By Sir Henry Drayton:

Q. What prospect is there of any heavy loading?—A. Westbound?

Q. Yes?—A. I suppose it would have to be manufactured articles.

Mr. DOHERTY: The prospect of immediate improvement is not too bright.

Sir HENRY DRAYTON: It takes a lot of manufactured articles to make a full cargo.

The WITNESS: Yes.

By Hon. Mr. Graham:

Q. Is it not a fact that under present conditions shipping all over the world is not in a prosperous condition?—A. It is so hard to tell about this shipping business. It is like a lot of the shippers. You never find anybody who is making any money. I remember I had a talk with Mr. Franklin, the President of the White Star Line, about three months ago. I know him very intimately and he, I am sure, told me what he thought. He said he never had seen the time when the shipping business was in such bad shape as it has been for the last two months; that nobody was making any money out of it and the whole situation was very discouraging. That, he said, was partly due to over-building, too much tonnage, and also due to the dislocation of international traffic, and general depressed business conditions everywhere, and I think the judgment of most people will be that the shipping trade, generally speaking, has been in worse shape for the last two months than it has been for many years.

By the Chairman:

Q. Any prospect for improvement?—A. The answer would seem to be that the improvement will depend on how soon we can restore international trade conditions to something like normal. Russia is substantially out of business from almost every point of view. They are beginning to produce a little wheat for export, but not much; generally speaking, Russia, as a factor in international trade, has disappeared. Germany, of course, is beginning to export now, taking advantage of her depreciated currency and low rates of wages, and so on, but still Germany is far from the factor in international trade which it was before the war. Business conditions in England are bad; costs of production have gone up, due to increase in wages, and nearly everywhere you go you find a dislocated business condition either directly or indirectly growing out of the war.

[Sir Henry Thornton.]

By Sir Henry Drayton:

Q. You have given us typical trips — —A. No, these are actual trips.

Q. Where we have our loading very promptly. Have you anything typical in connection with mixed merchandise?—A. These were all mixed merchandise.

Q. Have you any without cattle, for example?—A. No, because as I recall the request of the Committee, they asked for that. I can get that for you.

Q. These returns are not very encouraging. You must have something to offset them?—A. Probably not to the United Kingdom because, if I remember the figures rightly, our total United Kingdom trade showed a deficit of about half a million dollars.

Q. I think you gave us a "plus" in one instance?—A. Yes, that is right.

Mr. MACKINNON: Has the Government a Trade Commissioner at Dundee?

The CHAIRMAN: I don't know.

Mr. MACKINNON: Or Cardiff?

The CHAIRMAN: I cannot say.

The WITNESS: We do not show any profit to the United Kingdom, and we can charge all of that to the wretched condition of the westbound movement.

By the Chairman:

Q. These voyages show quite a loss?—A. Yes.

Q. As a straight business proposition, do you consider it advisable, and if so, for what reason, to continue to do a losing business?—A. That is a pretty difficult question to answer. In the first place, we have got the ships, and there has been a considerable amount of money invested in those ships. If we undertook to get rid of them, it is doubtful if we would realize, under present conditions, more than a percentage—a relatively small percentage—of their cost. In the second place, there is some value—just how much it would be difficult to say offhand, but there is some value in the fact that the railway company has these ships which can be used for overseas traffic in conjunction with the railway. Most railways, and notably the Canadian Pacific Railway have found it advantageous to develop a very efficient and elaborate steamship service which they operate in connection with their railway, and out of which they are making a fair amount of money. That service has been in existence for many years. They have built up their trade; they have established their foreign connections and their foreign agencies, but probably when they started they had a certain amount of difficulty and expense in the establishment of the service: but the fact that they had succeeded in establishing that service, after a period of years, and have made it profitable, indicates that it must be of value to them.

Q. Would you say this particular fleet we have now, of 60 vessels—has it any possibility of ever arriving at that condition? You spoke of the C.P.R.? They have different kind of vessels?—A. Yes.

Q. Is it possible to secure success, in your opinion, with vessels we have now, or will it be a continual loss from year to year?—A. I would not like to make a positive assertion, but I will say this, somewhat tentatively; that, considering our Merchant Marine as a whole, we have to go either forward or backward. If we feel that the Merchant Marine Service has a value to the people of Canada in all of their industrial activities, and to the railway itself, I think I should answer that question in the affirmative. Then we have to face up to, I think, putting these vessels, these implements in such shape as to get the maximum efficiency out of them. For instance, we have already seen with respect to our fruit traffic and some other traffics that we are not as well equipped in the way of refrigeration as we should be, and we think probably if we had such vessels as the United Fruit Company have—

[Sir Henry Thornton.]

APPENDIX No. 5

By Hon. Mr. Graham:

Q. For the West Indian trade?—A. For the West Indian trade, and perhaps, the Pacific trade as well—we could do very well with it. There is the further fact, and it is growing on my mind, that the Argentine ship enormous quantities of meat to England. Why cannot we do the same thing in Canada? Why should we not? I cannot see any reason why we should not, that is, as far as a mere cursory examination goes.

By the Chairman:

Q. You think these 60 vessels could be made successful in that way?—A. I think we can do better in the future than perhaps we have done in the past, but I do not think we will ever get the maximum efficiency out of our ships, nor shall we be able to perform with efficient service to the industries of Canada, until we put ourselves in the same position as other shipping companies.

Q. My point is this: I can see your point, and I agree with you absolutely, but we might have an equipment of vessels that would be operated in connection with the National Railways somewhat similar to the C.P.R. What I want to get at is this, whether the fleet we own now can ever be made to work into a scheme of that kind, or is it a losing proposition, and should be dealt with from that point of view?—A. I think it is going to be a pretty hard matter to take this Merchant Marine fleet just as it stands and break even on it, but I think there is a fighting chance.

Q. I am looking at the statement here which shows a net loss for the year of \$9,368,000. If that fleet were entirely tied up, the loss would be reduced only by the amount of the operating loss. You would still have to assume the interest payments?—A. You could not get rid of the capital payments.

Mr. STORK: There is more involved in this than that, because while the Merchant Marine did operate at a loss of \$9,000,000, yet, it seems to me, it induced a certain amount of traffic over the other utility, and that must be taken into account.

The WITNESS: And you must take this into consideration. There are certain services that are promising, and I think the West Indian service is distinctly promising. Our Pacific Coastwise Service showed a profit of \$84,000 last year. That is a very tillable field, that Pacific Coastal traffic, and should be pushed. I think we can show improvement in respect to our Oriental traffic.

By Sir Henry Drayton:

Q. Is it not a question of getting the boats on the routes where they will pay?—A. Yes, that is true, but there are certain services you cannot entirely ignore, but, broadly speaking, that is a correct statement.

Q. I think those cargoes—A. Take this new service we have established from Vancouver, through the Panama Canal, to England. That is promising. We are putting on a service between Halifax and Vancouver, via the Panama Canal, competing with our own railway, but it is an essential service, and we felt if we were going to have competition it was better for us to do our own competing.

Q. It is a big problem to get our products moving as cheaply as possible?—A. Somebody will do it.

By Hon. Mr. Graham:

Q. You have the traffic by rail from Halifax inland, in the east, and in the west, from Vancouver inland?—A. Perhaps I could answer the Chairman's question this way. If I were asked directly, "Will you or will you not abandon the Merchant Marine," I should say, "No," very positively, and one of the reasons for saying that is this; that it is only in comparatively recent months

[Sir Henry Thornton.]

we have been getting some ginger into the Merchant Marine proposition, and we are reaching out every day with our European and Continental connections, and in the Orient and the West Indies, and elsewhere. Now, I would not like to abandon that service because I feel there is a fair fighting chance, by putting some brains and intelligence and a lot of ginger into the thing that we can make something out of it. I would not like to abandon the service until we had tried that experiment and had an opportunity of putting forth our full effort.

By the Chairman:

Q. Is there a possibility of making it go?—A. I refuse to admit that anything cannot be done. I am quite willing to take a shot at it, and I believe there is enough promising to justify the shot.

Q. Has the Board thought wise to make recommendations as to further acquisitions?—A. Only in this way; I think there are two things we ought to do. I think we ought to make further acquisition with respect to the West Indian Service. I am fully convinced that is a very tillable field. I think we ought to have additional vessels for our Pacific Coastal traffic, which is showing a profit, so we are not sending good money after bad.

By Hon. Mr. Graham:

Q. You think you need another boat?—A. I think we need another boat, and we have the money with which to build it. We sold two or three ships some time ago and that money was set aside for renewal purposes, and that could very properly be used, with a couple of hundred thousand dollars—a small amount—additional. This is for the coastal service to Alaska.

By Sir Henry Drayton.

Q. And how many do you need for the West Indies?—A. Four. I think these four ships could be built for \$4,000,000. I know I can finance \$2,500,000 of that in debentures or bonds on the ships, so that would only leave \$1,500,000 of ready money to be provided, and that could be provided on some kind of a Government guarantee. We would not be taking money out of the Dominion Treasury for that purpose.

Sir HENRY DRAYTON: No, we would say, "You are adding to the debt of the country," and Mr. Graham would say, "we are not."

The WITNESS: Put it any way you like, there is \$1,500,000 to come anyway. Now, if you continue the same subsidy that you are paying to the Royal Packet Line, and if the West Indian Government pays us the same subsidy that they are bound by treaty to provide us with, that business then becomes highly profitable, because the subsidies we would get would practically pay the capital carrying charges, and I estimate that within 15 years we could not only pay for the whole cost of operating the service, but we could get enough money to amortize the total investment, so the best shipping proposition we have is the West Indian proposition with four new ships, and all we would ask for is to get the same subsidies.

By Sir Henry Drayton:

Q. The company is obligated to give a certain service?—A. Yes.

Q. Are they doing that?—A. We are not living up to our obligations.

The WITNESS: I have four new boats in mind which would give the service you are speaking of; they would give first class service.

By Mr. STEWART (Humboldt):

Q. Would these new boats be of a different type from what you have now?—A. Yes, they would be equipped with adequate passenger accommodation. They would be ships that could hold up their heads in any class.

[Sir Henry Thornton.]

APPENDIX No. 5

Q. How about the boats you refer to as needed in the Pacific coastal trade; are they of the same type?—A. No, they would be 3,000 ton passenger and cargo steamers, running out of Prince Rupert and up to Alaska.

The CHAIRMAN: Had you completed that particular branch of your statement? Let us go on now.

The WITNESS: I said all I had to say about the voyages from Quebec and Montreal, about which I was asked yesterday.

By Mr. Stewart:

Q. Am I right in this conclusion, that from the results of the typical voyage you have given, it must be a fact that in the carriage of grain, the boats would have to have practically a complete full return cargo to make it profitable?—A. I would not say a complete cargo; but at least a 50 per cent cargo. I do not think we would have to have a full cargo westbound.

Mr. DOHERTY: About \$10,000 to \$12,000 would allow us to break even, I think.

The WITNESS: About a 50 per cent cargo?

Mr. DOHERTY: Yes, about.

The WITNESS: If we could get a 50 per cent cargo westbound we could break even and do a little better.

By Hon. Mr. Graham:

Q. That would not pay your overhead?—A. No.

By Mr. Stewart:

Q. That would not take depreciation into account?—A. No.

By Mr. Kyte:

Q. What other lines are competing with you?

Mr. DOHERTY: We are the only lines operating to Cardiff and Swansea, but to the other ports, Liverpool, Glasgow, Aberdeen, and London, we have the Cunard Line out of Montreal, the Donaldson Line, the Thompson-Cairn Line, the Canadian Pacific, Inter-continental Transports, Furness-Withy, and the White Star.

By Mr. Kyte:

Q. They carry cattle and grain to these other points?—A. Some of them do and some of them do not.

Q. How do the ships of the Canadian Government Merchant Marine compare with those competing ships in point of speed and carrying capacity, and cost of operating?—A. As far as speed is concerned we compare favourably with some. There are others that are more speedy. As far as operating expenses are concerned, I do not know that I would be capable to answer that question, as I am not aware as to just what the others have to do in that respect.

Q. Needless to say, these steamships that are owned by private companies are not operating at a loss, or they would not continue very long?—A. They are, positively.

Q. I mean, over a continued period?—A. They all say they are operating at a loss. I read from the report of some speech of the Chairman of the Thompson-Cairn Line, in which he painted a very depressing picture.

Q. That would be for a short period? I cannot imagine that they would stay in business very long, in a losing undertaking.—A. That is quite true, but I think you must admit, if you take the statements of ship owners as correct you can only conclude that they are hanging on, hoping for better times.

The CHAIRMAN: Mr. Black, who is not a member of this committee, would like to ask a few questions. Is it the desire of the committee that he be permitted to do so?

Some Hon. MEMBERS: Yes.

By Mr. Black (Halifax):

Q. You were speaking just now of the four ships. You admit that of the present fleet, none of them are suitable for the West Indies trade?—A. Not for the character of trade we would like to get, and such service as we would like to give. We have performed a character of service with our present ships, but we feel that if we had these four new ones we could entirely fulfil our obligations to the West Indies, which Sir Henry Drayton pointed out we are not fulfilling to-day.

Q. What Islands would they touch?

Mr. DOHERTY: The four steamers would be used—

The WITNESS: The same islands as we do now.

Mr. DOHERTY: The Windward Islands, that is, Demerara and so on.

The WITNESS: Barbadoes, Trinidad, Nassau, and Kingston. I think if we had these four new ships we would be able to reconsider the whole West Indies proposition. We would have to send these ships to certain of the larger islands where there is considerable traffic, and then establish some sort of a pickup service in the West Indies.

By Mr. Black:

Q. An inter-island service, such as the Royal Mail had a few years ago and abandoned?—A. I think the United Fruit Service have a service of that kind.

The CHAIRMAN: I was told the other day that was one of their strongholds, that the United Fruit Company had the larger ships for calling at the larger ports, but also had the inter-island service.

Mr. BLACK: They have two or three small crafts?

The CHAIRMAN: Yes. We have certain duties to perform, I think, under our treaty. I am told that this service could be performed by smaller ships than we need for the other service.

The WITNESS: We are making a study of that now, to see what the prospects are, and how it ought to be organized.

By Hon. Mr. Graham:

Q. I would like to speak about these smaller ships. In that connection when you are investigating, do you not think it would be wise to ascertain clearly if the service we want to perform under our treaty could not be performed by two, or a lesser number than four of the larger ships, with an additional small boat. The reason I say this is because a gentleman, a friend of mine and well acquainted with you too, made quite a study of business down there, and discussed the matter with me the other night and said that he believed that two of these newer ships, perhaps, could perform the service we had in mind.—A. That is something worth considering.

Q. With the use of the smaller ships between the islands?—A. Yes.

By Mr. Black:

Q. What do you mean by that?—A. I would include everything that would give us a paying cargo and assist in fulfilling even beyond the terms of the treaty we have there.

By Sir Henry Drayton:

Q. I would just call the attention of the President to what was developed in the Agricultural Committee last year and what we all know to be more or less the fact, and that is that there is a preference given by American boats to American grain and flour going to the Mother Country, and that our rates are considerably higher than the rates for which the American lines carry grain and flour. I would like to find out how that situation stands to-day.—A. You mean to say whether we are giving a preferential steamship rate to Canadian shippers?

Q. You are not of course, or at least I presume not.—A. No, we are not.

Q. I presume that would be impossible; I do not think any Canadian boat sailing out of a Canadian port would be justified in doing that, but we are very much interested in seeing that our grain and flour at least is not penalized in getting to England as against our chief competitors.—A. Your question is, are the boats of the United States Shipping Board giving preferential rates to American products?

Mr. DOHERTY: No, that situation has been fully cleaned up.

The WITNESS: So far as I know, they are not. We are on all fours with the American situation. Mr. Doherty, do you know whether the United States Shipping Board is giving preferential ocean rates to American producers?

Mr. DOHERTY: No, sir.

Sir HENRY DRAYTON: There is no preference?

Mr. DOHERTY: All the lines from American ports are on all fours. That question of last year is no longer in force.

Sir HENRY DRAYTON: What is the present American rate on flour from United States ports?

Mr. DOHERTY: It has ranged from 19 cents to 23 cents.

Sir HENRY DRAYTON: And what is ours?

Mr. DOHERTY: Ours has ranged from 19 cents to 22 cents and 23 cents.

Mr. KYTE: Is the rate from Halifax to England the same as from New York?

Mr. DOHERTY: The rate from Halifax would ordinarily be the same as from Montreal, and our rates from Montreal at the present time are the same as from New York.

Sir HENRY DRAYTON: What is the present split between the flour rate and the grain rate?

Mr. DOHERTY: The grain rate is such a peculiar situation to-day that it is very hard to determine. In Montreal in the early part of May grain went as high as four shillings. When I left Montreal the other day it was impossible to get grain at a rate of two shillings, sixpence.

Sir HENRY DRAYTON: I was chiefly concerned in seeing what the spread was between the grain rate and the flour rate.

The WITNESS: What rate are we charging on the average for grain, and what rate on the average for flour?

Mr. DOHERTY: Perhaps 7 cents would be a maximum.

By Sir Henry Drayton:

Q. There is one thing, Sir Henry; if you get it on a steady basis it is a great thing for the country. We used to have spreads as low as a cent and a cent and a half, and then it worked up to three cents, and then to five cents. The 7 cents spread is a direct detriment to the Canadian farmer; it affects the supply of shorts and bran very materially.—A. I suppose the most advantageous

[Sir Henry Thornton.]

business would be to fabricate our wheat into flour in this country and export the flour rather than the wheat.

Q. We admit that is the proper thing to do, but you see if there is a spread of 7 cents, it is a pretty hard thing. That movement, that ideal position is penalized to the extent of 7 cents on the value. That is a thing that has been a sore spot for years, and every now and again we are able to get concessions, but 7 cents looks very bad.—A. What is your opinion on it? What do you think we ought to do, having regard to the position of the Merchant Marine and the farmer, and for the welfare of all? What is your idea?

Q. I would certainly like to see a spread very much smaller. I admit you have to have some spread, flour is harder to load and is subject to contamination, and is not as easily carried.—A. Could we lay down this axiom, that the spread should only represent the difference, having regard to all the circumstances, in handling?

Sir HENRY DRAYTON: That depends so much on different conditions; I suppose 7 cents to-day would be looked on in some places as absolutely necessary.

Hon. Mr. GRAHAM: How would that affect the farmer? I get the point, that we retain in this country all the shorts and byproducts.

Sir HENRY DRAYTON: That is what the farmer is interested in, and the dairying industry is very vitally interested also.

Hon. Mr. GRAHAM: Would the farmer, then, have the price of wheat affected in any way?

Sir HENRY DRAYTON: It is possible. The idea is not to advance the price of the carriage of grain merely to make a smaller spread. In other words, you cannot affect the price of wheat in Liverpool, which depends entirely upon the question of consumption and supply, by changing the form of supply; you cannot do it.

By Mr. Harris:

Q. I would like to ask two or three questions now. What is the time consumed in hauling cattle from Winnipeg to Montreal?—A. I should think that would average—I will have that looked up.

Q. Will you, at the same time, look up the figures for the hauling of cattle to Quebec?—A. You want the average time taken to haul cattle from Winnipeg to Montreal and Quebec?

Q. Yes, and the time consumed in taking cattle down the river from Montreal to Quebec?—A. By rail?

Q. No; you take them down by water when you load from Montreal. The point is this, that there is a very heavy shrinkage in handling cattle, especially after a certain number of days. I was trying to arrive at some conclusion as to whether a study was being made of the possibility of handling cattle from Quebec. If it is absolutely necessary to have the cargo, as you intimate it is, perhaps it is not within the realm of possibility that Quebec can be used for that particular purpose. Is it or is it not within the realm of possibility that a full cargo could be made up at Quebec with the present type of steamers you have on the service now?—A. I think the answer would be no, that you cannot make up a full cargo at Quebec, because the vessels have to come to Montreal for general cargo purposes.

Q. The cattle boats upon the Atlantic transport do not carry any general cargo, do they? They are purely cattle boats?—A. I think so.

Q. If you had cattle boats on the service, which were doing nothing else but carrying cattle, would it then be feasible to export from Montreal?—A. I do not believe there would be any money in building vessels exclusively for the purpose of carrying cattle, because then you would certainly limit, very largely, your cargo to an eastbound movement.

[Sir Henry Thornton.]

APPENDIX No. 5

Q. I think you intimated to the committee yesterday that it was possible that you could get the figures in regard to the present cattle boats on the Atlantic transport line.—A. Yes. They operate out of New York.

Q. They are not carrying any westbound traffic, are they?

Mr. DOHERTY: They get a better run of general cargo than we do in Canada, on account of the larger market in the United States. The lines operating into New York, as a rule, will find larger westbound cargoes.

Mr. HARRIS: Do they actually find a westbound cargo?

Mr. DOHERTY: Yes. You understand, a cattle steamer carries a very large proportion of grain and general cargo, because cattle are only carried on the top deck, and in some instances in two decks, but the holds are utilized wholly for the carrying of general cargo.

The WITNESS: Here are the times you asked for. Winnipeg to Toronto, 71 hours; Winnipeg to Montreal, 83 hours; Winnipeg to Quebec, 81 hours; Winnipeg to St. John, 120 hours; Winnipeg to Halifax, 126 hours.

By Mr. Harris:

Q. And down the river from Montreal to Quebec?—A. Approximately 12 hours.

Hon. Mr. GRAHAM: You cannot compare the whole distance from Winnipeg to Quebec via Montreal with the distance to Quebec via the rail haul.

Mr. HARRIS: You can compare the hours.

Hon. Mr. GRAHAM: Yes, but if I understand the figures right, the distance from Winnipeg to Quebec by rail is much shorter than the distance to Quebec by Montreal.

The WITNESS: I am not taking into the equation at all the rail haul between Montreal and Quebec.

By Mr. Stewart:

Q. There is one other question. Have you any figures as to the total number of cattle that our ships carry?—A. Yes, we can give you that. It is 2,856 detailed as follows: loaded at Montreal, 1,395; loaded at Quebec, 1,192; loaded at St. John, 269.

By Mr. Jelliff:

Q. I cannot quite reconcile the statement as to the cost of fitting up cattle boats with what was stated last year. Mr. Motherwell stated in the course of a speech last year, quoting Mr. Thornton, that the cost of fitting up a cattle boat was \$32,000.—A. I think that might be explained in this way. I do not remember myself just exactly the circumstances that forced the statement, but probably what Mr. Motherwell had in mind was that he asked me how much it would cost to permanently equip one of our vessels for cattle traffic, and the answer was perhaps \$32,000. That is, permanent equipment.

By the Chairman:

Q. A different type?—A. Quite a different type of equipment; it would be steel. This \$7,000 refers to a comparatively temporary character of fitting. I suppose that is the explanation, I do not know.

The CHAIRMAN: Gentlemen, Mr. Logan, who is not a member of the committee, would like to ask a few questions. Is it the wish of the committee that he should do so?

Some Hon. MEMBERS: Yes.

By Sir Henry Drayton:

Q. Before Mr. Logan begins, I would like Sir Henry to say something about this 7 cent spread on flour.—A. I would not like to make any positive

[Sir Henry Thornton.]

statement as to what we could or could not do. I have your point, and I would like to have time to examine it and give you an answer later on.

By Mr. Milne:

Q. Do these steamers come in what they call the liner class, or are they tramps, the steamers running to the United Kingdom?—A. You would not call them liners, as one understands that word. It is rather a vague word, but liner generally means a vessel of more than 10,000 tons, I should say, or more than 15,000 tons capacity. Our vessels, our largest vessels, are about 8,400 tons, and they would correspond in capacity to the usual type of what is called a tramp steamer. I think that is about as nearly as I can answer that question.

Q. Do they all comply with the conferences that the steamship people hold regularly, so far as rates are concerned?—A. There is what is called the North Atlantic Conference which, as I understand it, is a conference of vessel owners and shipping companies operating in the North Atlantic, and that conference is for the purpose of determining conditions and rates and all that sort of thing. Broadly speaking, we comply with the general arrangements that have been reached.

Q. That is with all the vessels of the service?—A. Yes. I am not altogether sure that I really understand your question, but I think I have answered it.

Q. I understand there are certain companies that attend these conferences and fix their rates. There are certain other companies that have steamers plying between certain ports that apparently do not attend the conferences.

Mr. DOHERTY: There are occasional steamers coming into berth that do not quote conference rates. The lines operating out of Montreal are quoting the same rates, and the rates quoted from Montreal are the same rates as quoted from the ports on the North Atlantic coast of the United States.

By Mr. Milne:

Q. There are a number of liners giving rebates on freight, I understand. Does the Merchant Marine carry on the same practice?

Mr. DOHERTY: We do not make rebates.

The WITNESS: Is that a practice?

Mr. DOHERTY: I have never heard of it.

Sir HENRY DRAYTON: It used to be, but I think it was stopped.

The WITNESS: I think it was something like the old rebates that used to be paid in the railway business some 30 or 40 years ago.

By Mr. Stewart:

Q. There is just one statement I would like Sir Henry to make before going into these other matters. Sir Henry has intimated it might be wise to increase the fleet. Our statement shows there are at least two of our services that are accountable for very large losses last year, to England and to Australia. I think he might make a statement to show the necessity of keeping on those services and at the same time adding further services where he thinks they will be profitable. Will you just make a further statement? You have already answered one question, and that is that you have not ships which would be suitable for the development of the West Indies Trade? I think we should be sure that the boats we have are not suitable for other work, and whether they could not be taken off the services they are on without adding new boats.—A. I think our vessels are probably, in some respects, more satisfactory for the Pacific trade than might be the case in the Atlantic trade. For instance, with respect to the Atlantic trade, if we should ever get into the frozen meat and chilled meat business, we are insufficiently equipped for that, because we have

[Sir Henry Thornton.]

APPENDIX No. 5

not enough vessels with refrigerating apparatus, and refrigerator space. The same thing does not apply on the Pacific coast, although I think we could advantageously use vessels with more refrigerator space on the Pacific. For example, we have up with the Fiji Government now the question of developing a banana trade from the Fiji Islands to Vancouver, and the Fiji Government has intimated their willingness to pay a substantial subsidy annually to us if we would equip our vessels, or some of them, for that trade. That is about the only trade that I know offhand on the Pacific coast which would require further facilities than we have at the moment, but if we got that started and it proved profitable, it might still further develop and we might develop a fairly good trade in fruits and things of that sort from Australasia and that part of the south seas.

Q. You are not in favour of going to the Fijis?—A. From what I have heard of the Fijis, it is a very alluring country.

By Mr. Stewart:

Q. You maintain that it would not be wise to interfere with our service to the United Kingdom—A. I have covered that by the general statement I made a little while ago, that if anybody should put the question to me to-day, "Will you or will you not abandon the Canadian Merchant Marine?" I would say, "No". I would not abandon it; I would rather have a few more shots at it.

By the Chairman:

Q. You mean that would practically mean the abandonment of the Merchant Marine?—A. But part of it is true. A service that has shown a considerable loss—but I will not say that loss could not be considerably reduced; in other words, I do not want to abandon the body as long as there is a spark of life in it, because we have too much money invested in those ships. I would rather make an earnest and conscientious effort to see if something could not be done with them.

Q. You have your recommendation by the Board with regard to the interest on the capital charge? I know that would not reduce the net loss to this country, but is your proposition so that the Merchant Marine will not be loaded up with a deficit, and be more encouraging to the Directors?—A. You might say this about that: These vessels represent a capital charge which, for various reasons is, I think, beyond the possibilities of the earning capacities of the Merchant Marine. The vessels were built, as I understand it, at a time when costs were pretty high under the pressure of war conditions, and for certain reasons which at that time seemed sound. Now, the aspect of the whole shipping trade has changed since that time; costs are materially less, and I doubt very much if we can earn enough to pay the full capital charges on the original capitalization of these vessels. Now, it is for Parliament, it seems to me, to decide whether they should either write down the capital so as to give the Merchant Marine, under present conditions, a reasonable chance—

By Sir Henry Drayton:

Q. Write down to what? \$60 a ton?—A. I would not like to give a precise figure, but something that is reasonable. What I thought would perhaps be preferred instead of wiping out the capital would be to transfer the capital from an annual interest-bearing security to some form of preference stock on which dividends could be paid as and when and if there were ever profits. In other words, I would not like to close the door to paying something on that if, say 25 years hence, something could be earned; but that is a matter of policy, and opinions might differ with respect to it.

[Sir Henry Thornton.]

Q. In the meantime, leave it as a charge against the ships?—A. I don't think you ought to load the camel down to the breaking point. Give it a chance to see what it can do.

Mr. BLACK (Halifax): Unfortunately you have not your own camel.

The WITNESS: Just a minute. One moment there. I want to say this quite positively that any recommendation I make, or anything that I say, is made or said sincerely and I would exercise the same care in making that statement as though it were my own money. I do not want this committee, or anyone else, to think that I am making any recommendation, or making any other statement than that which is sincere, and to the best of my judgment in the interest of the enterprise.

The CHAIRMAN: I think that remark was quite out of order.

Mr. STORK: I would like to say a word in connection with the item raised by Mr. Stewart in regard to the Pacific. The report shows the Coastal Service last year made a profit of \$84,650, and I am sure, in connection with that it was largely due to the equipment which the Canadian National Railways have on the Pacific. They had four boats there. The *Prince Rupert* and the *Prince George* are the "crack" steamers of the Pacific; they are operating between Vancouver and Prince Rupert; they are the best boats on the Pacific Ocean, and that is why we are getting such a great traffic out there. They had two smaller boats, the *Prince Albert* and the *Prince John*. They were smaller combination boats, passenger and freight. The *Prince Albert* has been sold, but now there is a territory in the north there, which is, I think, the fertile field of north-western Canada. There are mines at Stewart, and at Anyox, which are the greatest mines in Western Canada. I think the Premier Mine is perhaps the richest mine in the world to-day. There is tremendous traffic to be obtained there. Two years ago the Grand Trunk boats went as far as Alaska, but the service was so erratic that they could not keep that up. Our railroad runs through the southeastern corner of Alaska, and the whole Alaskan territory is tributary to the Canadian National Railways, and the trade to be developed depends entirely on the equipment which we offer. I am very glad indeed to hear Sir Henry state that he has in contemplation the placing of another steamer on that route. I am thoroughly satisfied that is a field which should be developed. That is the field which will pay interest on the investment. The boats we have are doing well, because they are especially adapted for that particular trade, and there is a wonderful field of development to be worked up there, and this condition will be improved, and I am satisfied, improved very materially by the increase in the fleet with proper class of boats.

By the Chairman:

Q. Do you care to make any statement in regard to that, Sir Henry?—A. Nothing, except in a general way, to endorse what has been said. The Pacific Coast trade is a very profitable trade and can be made more so, and I am very much in hopes we will be able to provide this additional vessel, which I think will very materially add to the net results of the Pacific Coastal traffic, and also give us an opportunity of getting a great deal of the Alaskan trade, which we do not enjoy at the present time.

Hon. Mr. GRAHAM: Supposing you now jump over to the West Indies.

The CHAIRMAN: Perhaps Mr. Logan will not object to his making a preliminary statement in regard to that. Sir Henry has a few remarks to make regarding it.

By the Chairman:

Q. Are you ready to go on with the West Indies?—A. Yes.

[Sir Henry Thornton.]

APPENDIX No. 5

By Hon. Mr. Graham:

Q. Have you not made all the preliminary statements to the Committee you want to, concerning the West Indies?—A. I think I have. I would rather profit from the questions which the members of the Committee might wish to ask.

The CHAIRMAN: Is it the wish of the Committee that Mr. Logan be heard?

Agreed.

Mr. LOGAN: Mr. Chairman, I would like to submit a statement to Sir Henry, in order to get this on the record, to show the improvement in the earning capacity of this West India Line. I would like to ask if this statement is correct. It is from the Department. It shows that in regard to passenger service in 1921 the receipts were \$269,547.08, while the expenses of that year were \$580,536.62; a net loss of \$310,989.54. The next year, 1922, the receipts were \$344,559.53; the expenses \$599,880.49, a net loss of \$255,320.96. In 1923 the receipts were \$474,497.93, the expenses \$649,799.72, a net loss of \$175,281.79. That was a betterment in two years of about \$135,000 in the passenger service. The total loss in the passenger service in three years was \$741,592.29. Now, take the freight service. In 1921 the receipts were \$1,442,848.62; the expenses \$1,561,897.64; a net loss of \$119,049.02. In 1922 the receipts were \$855,947.20, the expenses \$744,526.52, a net loss of \$111,420.68. No, that is a profit that year, a profit of \$111,420.68. In 1923 the receipts were \$1,402,880.98; the expenses were \$1,449,951.50, a net loss of \$47,070.52. To recapitulate, the losses on freight service in the three years amounted to \$54,698.86; the net losses, all services, \$796,291.15.

By Mr. Logan:

Q. May I ask, Sir Henry, if this agrees with your statement as you have it before you?—A. Let us check that statement, Mr. Logan, and then I will answer.

Mr. LOGAN: I will not take up much time of the Committee, but I want to ask a few questions upon which I think we should get some information.

By Mr. Logan:

Q. In the first place, Sir Henry, are you aware that the agents in your West India Line are almost invariably agents of your chief competitors? That seems to be a complaint. I heard that myself, and I saw it myself in one or two cases, and other people have brought it to my attention, that all through these islands the agents of the Canadian Government Merchant Marine are, in most cases, agents of competing lines, which compete to Boston, New York, and important American points. There is another thing to which I want to call your attention—A. I will take notes of these various points and answer you later on.

Q. I am anxious to get information. Everybody is thinking seriously about these matters. I wish to call your attention to the trade agreement of 1920 with these islands. You will find in Article 10, sub-section 2, that we undertook to provide for the Barbadoes end of the service, ships which would have a speed of 12 knots, and provide accommodation for 100 first-class passengers, 30 second-class, and 100 steerage deck passengers. We are not providing any accommodation for passengers, except maybe deck passengers, in that service. Turn over to the contract with the Western group, that is Jamaica, or rather, Nassau and Belize. We undertook in this agreement, in Article 15, to give on this service a fortnightly freight service. Now, they claim, of course, in this country that we are not giving a fortnightly service, and I call attention to the fact that in your own report you rather make out these people's case; because you do use the expression "West Indies" for instance, referring to this service, "three-weekly

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

sailing to Bermuda, and Jamaica, Nassau and Belize," whereas this treaty calls for a fortnightly service. We receive from these people in case of loss a maximum from all the Islands of £40,000, which is somewhat important, I think, to consider. I want to call your attention to the fact we are giving our case absolutely away in your own report.

May I ask you another question? Will you tell me if you have any inspection for coal for use in these ships?

The CHAIRMAN: Sir Henry will answer all your questions together.

Mr. DOHERTY: The inspection of coal is handled by the Engineering Department.

Mr. LOGAN: When we were down on the beautiful sunny seas, going between six and seven knots an hour, I naturally enquired what was the matter and was told repeatedly from the engine room that it was the bad coal, and I want to call your attention to the fact, that if that be true, we had better get some better inspection and some better coal.

The WITNESS: I hope this coal does not come from any mine in the Maritime Provinces.

Mr. LOGAN: No, I particularly enquired, Mr. Chairman, as to whether any of this coal came from Cumberland County, and they said no. Now, one or two other questions.

By Mr. Logan:

Q. In the first place, what contract have you with the Marconi Company for wireless service on these passenger ships? I ask that question because while we were out for four or five days, from one land to another, and there were two very nice-looking young officers in uniform who admitted they were receiving all the news of the world, the passengers could not find out whether the King or Sir Henry Thornton was in ill-health.

The WITNESS: I suppose no news was good news?

Mr. LOGAN: I would like to know what the contract is with the wireless people, and why it is that passengers cannot receive some news of the world in travelling such long distances. I think that is about the only ship sailing today on the seas of the world on a trip involving four or five days of straight sailing in which no one can get any news from any part of the world.

Another question I would like to ask is this: In view of improved service, and the requirements of that service, have you or your officers made any estimate of how much tonnage would actually be required to transport all the tropical products grown in these Islands if the same came direct to Canada, that goes to the very basis of what we propose to do.

The WITNESS: I don't quite "get" that question.

Mr. LOGAN: We imported nearly \$100,000,000 of tropical products from the United States, according to our Bureau of Statistics. We estimate that a very great quantity of that could be grown in the West Indies, and, in fact, a large quantity of it is grown there and brought to the United States by the United Fruit Company. Supposing we made a readjustment of the tariff in this country whereby we shut out these goods coming through the United States, forcing it all to Canadian ports, have you estimated how much tonnage would be required to handle that immense trade?

The WITNESS: (To Mr. Doherty) Have we a regular service to Brazil and the Argentine?

Mr. DOHERTY: No, we have not, sir.

Mr. LOGAN: I think it would be well in considering the service to the eastern group of the West Indies, also to consider the service to the Argentine and Brazil. I only wish to make one further statement, and that is, I am told by

[Sir Henry Thornton.]

APPENDIX No. 5

shippers that while they looked forward with a great deal of pleasant anticipation to the conveying of goods between the Maritime Provinces, or Eastern Canada, and British Columbia, the rates established by the Canadian Government Merchant Marine are prohibitive, and I would suggest to this Committee they could call one gentleman in this building who would be a very good witness in the person of Senator Macdonald, who is President of a large piano works, who informs me the rate he can get from New York to Vancouver, as compared with the rate from here, is very low indeed, in fact, he makes the statement that he cannot ship his goods from the Maritime Provinces to Vancouver at the rate which is being charged. I know nothing whatever about the rates. I only call your attention to this, so that these matters may be investigated when you are considering the enlarged and improved service. Mr. Chairman and gentlemen, I thank you.

By the Chairman:

Q. Do you wish to answer all of these questions now?—A. I can answer some of them now. In answer to various questions which Mr. Logan has been we are not fulfilling our obligation with respect to the frequency of service, and agents in the West Indies. We have a representative in the West Indies now who is somewhat stealthily investigating that aspect of it. I think there is need for some alteration, with respect to our agents, and eliminating the competitive feature to which you have referred. Now, how far we should go, or just what the position is, I do not know, but I have a pronounced suspicion with respect to the character of the service we are getting.

Mr. LOGAN: May I suggest the consideration of sending out our own agents from Canada? Although they would not be familiar with conditions at first, they would be interested in Canada and Canada alone.

The WITNESS: I cannot say what we ought to do, but our attention has been drawn to that, and we are going into it.

With respect to the insufficiency of the service to the Barbadoes and the Western Islands, it is a fact, as has already been pointed out here to-day, that we are not fulfilling our obligation with respect to the frequency of service, nor the passenger accommodations are not such as to invite increases in the passenger business. I can only say in connection with that, that we did the best we could with what we had to do with. Some of these vessels which are carrying passengers to the West Indies were not designed for that service; that service was an afterthought, after the vessels were built, and we had to furnish passengers' quarters as best we could, but they are not satisfactory. The promenade decks are insufficient, the lavatory facilities are also insufficient, so are the bathrooms, and, while you can get along with them, they are not what we would call first-class, modern facilities, such as would incite increased travel.

Mr. LOGAN: You give a splendid dining-saloon service.

The WITNESS: That is only a question of buying food and having good cooks. That is in our own hands to regulate, but, broadly speaking, I do not think the character of the service we are providing is in fulfilment of treaty obligations, and as a result of that we have been talking about additional vessels of a more modern type.

In respect to the coal; I presume our coal is inspected, and we presume it ought to be good coal. (To Mr. Doherty) Have you had any complaints about the coal?

Mr. DOHERTY: It so often happens, Sir Henry, that if an engineer is making slow time, he will blame his coal. He does not hesitate to do that. I know, while it is not my own department, that our Engineering Department is paying special attention to coal.

[Sir Henry Thornton.]

The WITNESS: Of course, we all know that the easiest thing for an engine-driver to complain about is the character of the coal he has got. However, I have made a note of that and I will see what we are doing, but just offhand, I would say the coal is bought under proper inspection.

(To Mr. Doherty): What arrangement have we, if any, with the Marconi Company? What is the situation regarding our wireless?

Mr. DOHERTY: I have not the details, but it is the usual marine contract.

Sir HENRY DRAYTON: That is the trouble with it. On the United Fruit boats all you get is the United States and the American Stock Market, and the American baseball results, and perhaps the racing reports.

Mr. LOGAN: That is something.

Sir HENRY DRAYTON: You are better off without them.

The WITNESS: Yes, especially the racing results.

Sir HENRY DRAYTON: It amounts to nothing.

The WITNESS: I do not know offhand, Mr. Logan, but we will have that looked into.

The question of how much tonnage we would require if we had to handle, or could handle, all of the tropical fruit traffic between the West Indies and Canada, I cannot answer offhand.

As to the Argentine and Brazil: We might have a look at that, but I doubt very much whether there would be sufficient business to justify the establishment of an ocean route to the Argentine and Brazil.

Mr. DOHERTY: We have already had one experience there.

The WITNESS: We tried it and abandoned it. There was insufficient traffic. You see most of the traffic between the Argentine and Brazil goes to the United Kingdom—at least, to some extent—and that in turn I think is due to the fact that English capital is very largely invested in the Argentine railways, and for that reason those who have their capital so invested have brought pressure to bear on English shipping companies to establish routes between the Argentine and England, and the trade relations which exist between the Argentine and England, as I say, is fundamentally due to the large capital interests which are invested in the Argentine railways.

Mr. LOGAN: I may say in addition to that, that one of the fundamental reasons we have not secured proper trade is that we have not been properly represented there.

The WITNESS: If you have a large amount of English capital invested in the Argentine, and have a number of important and outstanding business people in the industrial and the financial world interested in the Argentine, naturally they address their efforts to promoting trade between the Argentine and their own country. There is no Canadian capital invested in the Argentine, broadly speaking, nor in the Argentine railways, and that is the condition to which you refer. That has grown out of this fact I have mentioned, and that is something which is beyond the control of the Merchant Marine, and largely beyond the control of the people of Canada.

As to the present rates, the high rates which are charged: I am not quite sure whether I understand your question. To what rates do you refer, Mr. Logan?

Mr. LOGAN: The rates between Eastern Canada and Vancouver via the Panama Canal. How do they compare with New York?

The WITNESS: We have lately established a service from Halifax, through the Panama Canal, to Vancouver; from Montreal in the summertime.

Mr. DOHERTY: At the present time the rates are exactly the same as from New York. I will say, however, in connection with the first sailing, that we had

[Sir Henry Thornton.]

APPENDIX No. 5

to get out a tariff in very short order, when we decided to inaugurate the Inter-Coastal Service, and we found we had some rates somewhat out of line, but we had several discussions with the trade in the east, and also on the Pacific Coast, and I think that the trade now is quite satisfied that our rates have been put on a proper basis by the new tariff which has been issued within the last few days, so I think there will be no further difficulty on that score. At the present time, the Canadian ships are under no disability with respect to rates to Vancouver as compared with New York. As a matter of fact in so far as British Columbia is concerned, it will be a definite advantage in rates, because as a rule there is a differential rate charged by American lines from Seattle, which would make the rate to New York even higher than our rate to Montreal.

The WITNESS: In other words, the rate position is satisfactory?

Mr. DOHERTY: I have assurances from the greater part of the companies.

Mr. LOGAN: I think that is a very cheerful statement, and should be made public. A man told me that the rates from New York to the Pacific were only about one-third of what they were in Canada. Of course, that is six months ago, and the position may have changed. I think this statement clears it up.

The CHAIRMAN: Does that complete that part of your programme?

By Sir Henry Drayton:

Q. I would just like a little information, Sir Henry, in connection with the services to the West Indies; I suppose the idea is to have a dual service.—A. I do not know what that would be.

Mr. DOHERTY: No, I think the general idea was to have a service to one or two of the large islands, and have a separate service to the Westward group.

By Sir Henry Drayton:

Q. That is two separate services. I would very much like to see a large addition to the West Indies trade, but there are difficulties in the way. Has the question been at all considered in connection with the United Fruit Company? It is not merely a matter of competition, but that company practically controls production.—A. Yes, they have their own banana farms and all that sort of thing.

Q. Yes, and the independant producer is almost out of business. Has anything been done, or could anything be done? It seems to me to be the logical way of proceeding to make an arrangement with the United Fruit Company, under which a certain amount of that banana traffic would be diverted to Canada, either by your boats or by their own. Our great effort is to get a trade with Canada, and when your competitors not only have the boats but control the trade, we have a dual thing to look into in considering the question.—A. We have in the West Indies today a representative who was sent down there to make an exhaustive study of the whole position and one of the things to which his attention was called was that very fact, that perhaps some of our possible competitors controlled the production, and we should have to go to the bottom of it to reach any conclusion.

Q. I know personally that in Jamaica the United Fruit Company is the whole thing, and the Atlantic Fruit Company which has started there is, I think, controlled by this company and is only a subsidiary. They only allow it to do business there so they will not be accused of having a monopoly.—A. What you mean is that it is no good going into the trade and building vessels if we cannot get the traffic?

Q. Yes, we certainly should not put on boats unless we are sure of getting cargoes. I have had all kinds of figures given me as to the possible movement into Canada. I have had figures given me all the way from two million sticks to nine million sticks of bananas. Has your Department accurate information

about what our banana consumption is?—A. Our banana consumption in Canada?

Q. Yes.—A. I have that in the office, but I cannot tell you offhand what it is. It is very considerable.

Mr. LOGAN: Really, it seems to me you can get almost any statement as to the amount of bananas we use in Canada. I got a statement which I put on Hansard the other day from the Customs Department, I think, of some 2,100,000 stems. On the other hand, I see it stated in trade papers and other papers which would seem to speak with authority that it amounts to anywhere up to 9,000,000. I would like to get the thing correctly.

The CHAIRMAN: Gentlemen, the committee has not a quorum now, so I do not see much purpose in continuing.

By Sir Henry Drayton:

Q. I would like Sir Henry Thornton to go into that.—A. Perhaps I could answer it partly by saying that we have a representative there now who is going into the question of the whole possibilities of our trade in the West Indies.

Q. It occurred to me that the United Fruit Company, with all its resources, would not welcome our going into the field, and that it might be that a proper working arrangement can be made under which their properly equipped boats would collect bananas for you under terms to be mutually agreed on so we could get our bananas and our other fruits in direct.—A. Yes, I think that is quite an important thing.

Q. They have a pickup service, and there is no use our spending money if we can get the results without. It would be a good deal better to let them have some profit on the collection of the fruit, and get bananas and other fruits in directly.

Mr. LOGAN: May I suggest one thing? I would suggest to Sir Henry the cutting out of sending a large ship such as the *Canadian Fisher* or the *Canadian Forester* away on to Belize. It seems to me—and I think the general opinion of everyone with whom I have discussed the matter—that when you get to Kingston, to go on to the little port of Belize, you have to travel anywhere from three to four days of straight sailing without getting very much cargo. It seems to me that that could be arranged as a sort of side line trip.

The WITNESS: What draught of water do these pickup boats have? Would it be about 10 or 12 feet?

Sir HENRY DRAYTON: At the outside, I should say from looking at them. They run around 1,200 tons.

The witness retired.

The Committee adjourned.

STATEMENT showing Results of Voyages of Steamers carrying Cattle from Montreal, Season 1923

S. S. Commander, Voyage 14.....	216 cattle	\$	4,320 00
Sailing date July 27.....			
Destination.....	Cardiff		
Duration Voyage.....	47 days		
Earnings, Eastbound.....	30,554 37		
" Westbound.....	3,314 94		
	33,869 31		
Expenses.....	38,450 63		
Deficit.....			4,581 32
Principal Commodities—			
Cheese.....	Quantity 167 tons	\$	Earnings 2,244 40
Grain.....	285,788 bushels		19,072 17
Provisions.....	215 tons		2,174 665
Cereals.....	104 tons		840 60
(Sir Henry Thornton.)			

APPENDIX No. 5

STATEMENT showing Results of Voyages of Steamers carrying Cattle from Montreal, Season, 1923—Con.

S. S. Commander, Voyage 15.....	150 cattle	\$	2,700 00
Sailing date September 24.....			
Destination.....	Cardiff		
Duration Voyage.....	44 days		
Earnings, Eastbound.....	20,336 98		
“ Westbound.....	266 50		
	20,603 57		
Expense.....	33,175 91		
Deficit.....			12,572 34
Principal Commodities—	Quantity	Earnings	
Butter.....	40 tons	1,264 69	
Cheese.....	243 tons	3,265 50	
Grain.....	160,000 bushels	10,080 00	
Lumber.....	106,603 s. ft.	1,048 07	
Phosphorus.....	22 tons	491 84	
Zinc Dross.....	52 tons	334 40	
Provisions.....	101 tons	1,098 49	
S. S. Commander, Voyage 16.....	272 cattle	\$	6,800 00
Sailing date, November 17.....			
Destination.....	Dundee		
Duration Voyage.....	51 days		
Earnings, Eastbound.....	38,132 74		
“ Westbound.....	1,061 38		
	39,194 12		
Expense.....	37,841 97		
Surplus.....			1,352 15
Principal Commodities—	Quantity	Earnings	
Grain.....	248,648 bushels	25,067 71	
Lumber.....	271,519 s. ft.	2,495 63	
Provisions.....	190 tons	1,746 49	
Nickel Oxide.....	106 tons	1,420 02	
S. S. Mariner, Voyage 13.....	216 cattle	\$	4,320 00
Sailing date, July 13.....			
Destination.....	Cardiff		
Duration Voyage.....	55 days		
Earnings, Eastbound.....	28,753 78		
“ Westbound.....	8,469 03		
	37,222 81		
Expenses.....	39,516 33		
Deficit.....			3,293 52
Principal Commodities—	Quantity	Earnings	
Nickel Oxide.....	132 tons	1,781 11	
Flour.....	219 tons	931 00	
Grain.....	265,803 bushels	17,641 63	
Lumber.....	61,850 s. ft.	591 99	
Phosphorus.....	43 tons	964 70	
Provisions.....	145 tons	1,294 80	
Miscellaneous.....		1,228 50	
S.S. Mariner, Voyage 15.....	271 cattle		6,775 00
Sailing date, November 9.....			
Destination.....	Dundee		
Duration Voyage.....	49 days		
Earnings, Eastbound.....	36,133 90		
“ Westbound.....	5,379 08		
	41,512 98		
Expenses.....	38,796 27		
Surplus.....			2,716 71
Principal Commodities—	Quantity	Earnings	
Grain.....	276,568 bushels	24,216 22	
Lumber.....	216,324 s. ft.	1,920 11	
Nickle oxide.....	132 tons	1,778 61	
Provisions.....	153 tons	1,409 25	

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

STATEMENT showing Results of Voyages of Steamers carrying Cattle from Québec, Season 1923

S. S. Leader, Voyage 8.....	210 cattle	\$	4,200 00
Sailing date, June 15.....			
Destination.....	Cardiff		
Duration Voyage.....	55 days		
Earnings, Eastbound.....	26,953 41		
" Westbound.....	8,826 62		
	35,780 03		
Expenses.....	40,260 27		
Deficit.....			4,480 24
<i>Principal Commodities—</i>	<i>Quantity</i>		<i>Earnings</i>
Flour.....	226 tons		957 60
Grain.....	220,294 bushels		15,542 93
Lumber.....	86 tons		485 45
Nickel Oxide.....	132 tons		1,778 96
Provisions.....	161 tons		1,436 78
Phosphorus.....	46 tons		1,160 19
S. S. Leader, Voyage 9.....	229 cattle	\$	4,580 00
Sailing date, August 16.....			
Destination.....	Cardiff		
Duration Voyage.....	41 days		
Earnings, Eastbound.....	32,273 20		
" Westbound.....	5,934 09		
	38,213 29		
Expenses.....	33,814 90		
Surplus.....			4,398
<i>Principal Commodities....—</i>	<i>Quantity</i>		<i>Earnings</i>
Cheese.....	236 tons		3,851 90
Grain.....	270,369 bushels		19,448 77
Provisions.....	235 tons		2,211 79
Phosphorus.....	43 tons		960 87
S. S. Leader, Voyage 10.....	242 cattle	\$	4,760 00
Sailing date, October 5.....			
Destination.....	Glasgow		
Duration Voyage.....	43 days		
Earnings Eastbound.....	30,544 25		
" Westbound.....	10,375 98		
	40,920 23		
Expenses.....	38,281 66		
Surplus.....			2,638 57
<i>Principal Commodities</i>	<i>Quantity</i>		<i>Earnings</i>
Cheese.....	131 tons		1 761 13
Butter.....	29 "		912 06
Grain.....	228,745 bushels		17,200 63
Zinc Ashes.....	135 tons		942 50
Nickel Oxide.....	264 "		3,551 71
Provisions.....	61 "		548 33
S. S. Victor Voyage 12.....	229 cattle	\$	4,580 00
Sailing date, July 5.....			
Destination.....	Cardiff		
Duration Voyage.....	49 days		
Earnings Eastbound.....	31,566 49		
" Westbound.....	2,307 24		
	33,873 73		
Expenses.....	37,917 52		
Deficit.....			4,043 79
<i>Principal Commodities—</i>	<i>Quantity</i>		<i>Earnings</i>
Cheese.....	121 tons		1,630 64
Grain.....	234,215 bushels		15,755 86
Lumber.....	272,571 s. ft.		2,660 73
Provisions.....	257 tons		1,993 38
Nickel Oxide.....	265 "		3,555 57
Phosphorus.....	43 "		966 45

[Sir Henry Thornton.]

APPENDIX No. 5

STATEMENT showing results of voyages of Steamers Carrying Cattle from Quebec, season 1923—*Concluded*

CANADIAN NATIONAL RAILWAYS

Gross Earnings for 8,400 ton type Steamer Carrying full capacity Grain Cargo and 233 Head of Cattle

31 Loads Wheat = 248,000 bushels = 31,000 quarters at 3/ per quarter = £4,670 at \$4 50 =	\$20,125 00
233 Cattle at \$20 00 per head	4,660 00
	<hr/> \$25,585 00

COMMITTEE ROOM 231,

HOUSE OF COMMONS,

THURSDAY, JUNE 19, 1924.

The Select Standing Committee on National Railways and Shipping met at 10.30 o'clock a.m., Mr. W. D. Euler, M.P., Chairman, presiding.

The CHAIRMAN: Gentlemen, we have a quorum although the Minister is not here. Yesterday we had practically completed our consideration of the Merchant Marine with the exception of the estimates. I think we had almost finished the West Indies.

Before we proceed, I would like to say that we have had a little difficulty in getting the typewritten reports. The Committee yesterday decided we should have 25 typewritten copies. The Editor of Debates of the Hansard tells me that it is practically impossible to get more than about seven reports each day. We can have seven each day, but the balance may not be delivered until early next week. That does not give each member of the Committee a copy nor provide for the extra copies which may be required. If the report were printed this difficulty would be eliminated, but I do not know whether the Committee cares to go to the expense of printing. If it is satisfactory to the Committee to continue in that way, it is quite all right. Does the Committee think it worth while to incur additional expense?

Mr. STEWART (Humboldt): I would like to have the evidence.

Mr. MACKINNON: We will eventually get it?

The CHAIRMAN: It will come out, but you will not get it immediately. Naturally the Committee would like to have the complete copies.

Mr. MACKINNON: We can have them afterwards.

The CHAIRMAN: If you do not want it every day, well and good.

Mr. STEWART: I do not think all of us can carry this matter in our heads. I would like to check up the statements, to see if we require any further information than that which, perhaps, Sir Henry Thornton can give us.

Sir HENRY THORNTON: As a possible makeshift, if the reporter could give us one carbon copy, could it not be sent to the Department of the Interior and blueprinted? We often do that in the Railways.

Mr. MILNE: Perhaps they would want some remuneration too.

Sir HENRY THORNTON: No; it is a very trifling thing. Perhaps that suggestion would help.

The CHAIRMAN: I suppose we would have to get authority to incur any expense.

Sir HENRY THORNTON: We have a duplicating machine in Montreal, and, if you like, we can have it sent down here, and if the reporter will furnish us with a copy of the proceedings, we can reproduce them this evening.

The CHAIRMAN: Gentlemen, what do you think of that?

Mr. KYTE: You mean to reproduce the copies of the evidence?

[Sir Henry Thornton.]

The CHAIRMAN: Yes. We are not getting a sufficient number of copies, and I think each member of the Committee should have a copy. Would this be worth while? Possibly there is a good deal of evidence that is not as important as other parts. Would it be worth while to appoint a small committee to review the evidence, pick out what we want, and have it reproduced?

HON Mr. GRAHAM: For all the difference in it, I think it would be better for the members to have a complete copy, in making our report to the House. Surely to Heaven we have some device in this building by which we can produce copies of this.

Sir HENRY THORNTON: We can do it, if you want it, by having our machine sent down from Montreal.

The CHAIRMAN: I think that is a good idea, so, Sir Henry, if you will have that machine sent down, we will proceed that way.

Sir HENRY THORNTON, recalled

The CHAIRMAN: Gentleman, I think we have practically completed the consideration of the West Indian end of the business, excepting that I believe Mr. Mackinnon has a question or two he wants to ask.

Mr. MACKINNON: There is just one remark I would like to make. I believe in getting these new steamers, if possible, on that trade, but my impression was that the United States had control of the products there, and it did not look as if we would be justified in putting on additional equipment. So I would like to ask Sir Henry Thornton about the exports from Canada to the West Indies. That was not taken into consideration until yesterday. Also, if his answer is, "Yes, we have no bananas" what other products have we that we can handle, sugar, molasses, fruit of different kinds——

Mr. KYTE: Rum?

Mr. MACKINNON: The impression which the Committee got yesterday was that bananas were the main thing, but that that business had received a black eye because United States were growing the fruit and handling it themselves.

The WITNESS: I think perhaps there may have been a wrong impression given as a result of the discussion yesterday. It was pointed out as a warning, I understand, that we might possibly find that the bananas and other fruits, and things of that sort, which would constitute the northbound cargoes, were so much in the hands of our steamship competitors, notably, the United Fruit Company, that even if we went to the expense of putting on our ships, and building new ships, we might find ourselves pushed out of the market for the reasons I have just given. I do not understand that that was a positive assertion of fact, but it was a point to which Sir Henry Drayton called attention, as I remember it, and one which we should carefully consider before there was any commitment, and my reply to that, as it would be also to your question, Mr. Mackinnon, is that we have a responsible officer in the West Indies investigating that and various other things, with a view of getting first-hand information on the ground, with respect to this prospective business, before we commit anyone, or anyone is committed to any large capital investment. The question was raised with respect to the possibilities of northbound cargoes, such as bananas, fruits, and so on, being in the hands of the United Fruit Company, or other competitors, and we might find ourselves going into a business with the ground cut from under us. I said, Sir Henry, that you did not make that as a positive assertion, but gave that as a warning, and as a thing which ought to be carefully investigated before any investment was made. Did I get the right slant on it?

Sir HENRY DRAYTON: Quite right.

The WITNESS: So that is being gone into before anything definite is done.

[Sir Henry Thornton.]

APPENDIX No. 5

As to the possibilities of southbound traffic: That, at present, consists of grain products, iron and steel goods, cement, provisions, fertilizer, hay, lumber, and a certain amount of miscellaneous freight. The northbound cargoes would consist of sugar, molasses, cocoa, cocoanuts, and general traffic. I think there also would be a prospective field—although it may be included under miscellaneous articles—for manufactured articles, and textiles. That is in answer to your question of what the southbound cargoes would be.

Mr. MACKINNON: Could you give us any idea of the value of it?

The WITNESS: (To Mr. Doherty) Do the north and southbound cargoes balance to the West Indies, or which traffic predominates?

Mr. DOHERTY: The southbound.

The WITNESS: What percentage of difference is there?

Mr. DOHERTY: Perhaps 60 and 40.

The WITNESS: It runs on that basis. The northbound traffic represents about one-third of the total traffic; that is, they divide it, two-thirds southbound and one-third northbound on that basis, indicating, of course, that this traffic is carrying more of our goods south than the products of the West Indies north.

By Mr. Mackinnon:

Q. Well, is there any passenger traffic?—A. There is a certain amount of passenger traffic, but it is rather negligible. That is, it is not a factor under present conditions. As I think I explained yesterday, these boats were not built primarily for the passenger traffic, and the passenger accommodations are not such as to excite a large volume of that character of traffic. In the new boats, should they be built, there would of course be much more passenger accommodation, and much better facilities for the care of passengers.

(At this point Chairman Euler left the Chair; Mr. Stork acting as Vice Chairman.)

Hon. Mr. GRAHAM: As a matter of fact, Sir Henry, I think it can be relied upon that during this recess the Government will make a thorough investigation as to the possibilities of trade, whether within the treaty or outside of it, but it might be well to have an investigation for the Canadian Merchant Marine, because the whole thing will be linked up.

By Mr. Kyte:

Q. There are other steamship companies that are promoting trade among the West Indies, besides the United Fruit Company—British steamers?—A. Yes.

Q. The Furness-Withy Company?—A. Yes.

Q. The Royal Mail Packet Company?—A. Yes.

Q. When I was down there last fall there was considerable agitation in Jamaica, particularly, over the report that the Furness-Withy Company, which owned large plantations in South Africa, were carrying fruit from South Africa and dropping out of the fruit-carrying trade from the West Indies. The people were extremely anxious that the Canadian Merchant Marine should be in a position to carry larger quantities of fruit than heretofore, because they needed a market for it—A. Was there any reason given for the Furness-Withy Company dropping out of the trade?

Q. The only reason they gave was that this Company was interested personally in fruit plantations in South Africa.—A. It was not due to lack of confidence in the West Indian trade?

Q. Not at all!—A. It was for personal reasons?

Q. Yes. I happen to have some West Indian newspapers in my apartment, in which is set forth the fact that the people are very much alarmed lest their export of fruit be very much curtailed next year.—A. In connection

[Sir Henry Thornton.]

with the whole thing, there ought to be considered, and would be considered the possibility of coming to some kind of an arrangement with some company already in the business. I think Sir Henry Drayton referred to the United Fruit Company, but the whole thing has to be considered from several different angles.

Q. If the fear expressed by these people last fall that there would be smaller shipments to Great Britain is well founded, it means there would be a large amount available for Canadian shipments, and they are anxious to cultivate a Canadian market—A. I think it is obvious that a good market might be developed there, which would be of great value. We are carrying a large preponderance of Canadian goods south over the northbound traffic. I think we ought to stimulate that and try to get as much as we can, but I want to call attention to the service we render to Canada in transporting our goods to the West Indies.

Mr. KYTE: Unquestionably the service is valuable, from that point of view.

The WITNESS: Yes.

(Whereupon Chairman Euler resumed the Chair; Acting Chairman Stork withdrawing).

The CHAIRMAN: Have any members of the Committee any further questions to ask Sir Henry in regard to this particular subject?

Mr. JELLIFF: I do not want to speak on fruit, but I do want to get back to the grain subject, and ask you what the results were with the grain trade on the Lakes—with the Merchant Marine?

The WITNESS: We had eight steamers on the Lakes last year, making 107 trips in the grain trade, carrying 11,380,787 bushels. The gross earnings of that traffic were \$585,288.13; the disbursements or expenses amounted to \$507,261.23, leaving a profit of \$78,026.90.

By the Chairman:

Q. That is an operating profit?—A. Yes, that is only an operating profit; there are included in the expenses only the operating expenses of the vessel plus the insurance.

By Mr. Stewart:

Q. Those voyages you are speaking of are included in the report of voyages under charter—157?—A. This is put generally under charter.

Q. Will you just explain to us briefly what you mean by a charter?—A. A charter is this: a man rents a vessel from you; you rent it to him at a certain price, and under certain conditions, and he runs it as he pleases, and what he makes out of it is his. Your profit is the rental made, just like renting a house, or renting a building for store purposes. There is another form of charter too, and that is one under which we would undertake to carry a certain specific cargo—say, grain—that is, we would contract with the shipper to take a cargo of grain for him. That would be regarded as a charter, as differentiated from general cargo purposes.

Q. You contract to carry a certain load, and assume responsibility for the expenses?—A. There are two kinds of charters, either you can contract with a shipper to carry a cargo for him, a certain traffic for him, or you can charter the ship to some individual who will run it himself. (To Mr. Doherty) Most of these were, I think, under our own operation?

Mr. DOHERTY: All of them were, sir.

Mr. JELLIFF: It was in respect to these that the profits were made?

The WITNESS: Yes, we made \$78,000.

[Sir Henry Thornton.]

APPENDIX No. 5

Mr. JELLIFF: Have we any more boats which can be utilized for that traffic?

Mr. DOHERTY: No, we have all we possibly could put in the trade on the Lakes now.

By the Chairman:

Q. Would you say, Sir Henry, that you made a net profit after considering the interest on the investment?—A. No, we did not, if you take into consideration the cost of the ship, and its annual capital charge.

By Mr. Jelliff:

Q. Do you consider that is competition which might have been engendered by the use of our own ships—A. I think it was useful. I remember early last autumn there was a lot of trouble, you know, about United States tonnage coming into the field. I was very much alarmed about it because I was afraid that not only would the grain not move, but if it did move, it would have to find an outlet through Duluth, or some American port, so consequently I was glad to find so many of our ships were engaged in this traffic. I went further, and tried to charter United States tonnage for the Merchant Marine, to break any deadlock that might come, and I think the fact that we have our own ships in there on the Lakes, or that we were also in the shipping business to some extent, and could take over chartered tonnage if we could find it, may perhaps have had some effect; how much, it is difficult to say. Fortunately the thing was straightened out and we did not have to do anything.

Q. Farmers generally in the West have been clamouring for some of our own vessels in that trade, to break up some of the combinations?—A. We have as many of our own ships in the trade now as we can put there.

Q. Are your vessels all used in transport between Canadian ports?

Mr. DOHERTY: With one or two exceptions, yes.

The WITNESS: (To Mr. Doherty) They were used for Canadian ports?

Mr. DOHERTY: Yes, Sir Henry, but they went to American ports during the early months of the season when we could not get grain from Fort William and Port Arthur.

Mr. STEWART: I was going to suggest it would be interesting, if it could be done without much trouble to the Department, to have a record of a typical voyage for a grain boat on the Great Lakes, similar to the one we had in regard to the cattle business.

Mr. DOHERTY: That is not possible.

Mr. STEWART: If you could take two for each month and take one carried at the maximum rate, and one at the minimum rate for that month, and give us the full information, the dates, the tonnage of the boats, the ports—well, I suppose they all originated at Port Arthur, but the ports to which the cargoes were carried, it would be very valuable for reference in further statements regarding the rates on the Great Lakes.

The WITNESS: (To Mr. Doherty) Can that be worked out?

Mr. DOHERTY: No. The accounting on the Lakes is not done on the basis of a single trip, but runs over a series of trips with some of the steamers operated continually throughout the entire season. A single account covers the entire operating expenses involved and the receipts from the freight. It would not be advisable to work it out on the basis of a single voyage.

The WITNESS: (To Mr. Doherty) Could you not make an estimate of that?

[Sir Henry Thornton.]

Mr. DOHERTY: It would be difficult.

Mr. STEWART: Rather than an estimate, could we do it this way? Instead of asking for different voyages, could we take one boat—you account each boat?

Mr. DOHERTY: Yes, absolutely.

Mr. STEWART: Take in one or two boats and give us a statement including those items I have suggested. That would be interesting.

The CHAIRMAN: It seems to me it would be worth while having a record to enable you to say what the net results are from each individual voyage. Is that customary?

Mr. DOHERTY: Not on the Lakes, Mr. Chairman.

The CHAIRMAN: It is, with the ocean traffic.

Mr. DOHERTY: Yes. On the Lakes they are running backward and forward; more or less of a ferry service, and expenses are being incurred which overlap each other.

Hon. Mr. GRAHAM: Could you give a report on two steamers for the season?

Mr. DOHERTY: Yes, we could do that.

By Mr. Harris:

Q. Were any of these boats employed in carrying hard coal up through the canals?—A. I don't think so. (To Mr. Doherty) Were there?

Mr. DOHERTY: I think we had two or three cargoes of coal; I would not say whether it was hard coal or soft coal.

By Mr. Harris:

Q. Where did it originate? From Sydney?

Mr. DOHERTY: No, from American Lake ports across to Fort William.

Mr. HARRIS: There are no coal supplies at Cape Breton?

Mr. DOHERTY: We have none suitable for service through the canals.

Mr. HARRIS: Have you any record of your carriage across the Great Lakes—whether it was profitable or not?

Mr. DOHERTY: Well, as a matter of fact, it is not profitable in the true sense, but it does assist in giving us some return for operating the steamers up to Fort William, as they would otherwise go up light, but there is no actual profit. It assists in operating the steamers on their westbound voyages. The present rate is somewhere in the vicinity of 40 cents a ton, and you can imagine what it would leave for profit.

Mr. HARRIS: Did that little extra enable you to operate at a profit?

Mr. DOHERTY: It assisted in bringing the results which Sir Henry has just given.

Mr. DOHERTY: Do you enumerate any of these results?

Mr. DOHERTY: It would be included in the final figures.

The WITNESS: (To Mr. Doherty) It was not a large factor?

Mr. DOHERTY: No, very small.

Sir HENRY DRAYTON: There is a new type of boat which loads either coal or sand very rapidly, and unloads equally as rapidly mechanically, with economy of service. Could a boat of that kind be navigated through our locks from Nova Scotia to Toronto?

The WITNESS: I doubt it, because I happen to know a great deal about it, because I had charge of the docks at Ashtabula and Erie for a while. Economy

[Sir Henry Thornton.]

APPENDIX No. 5

in lake transport of coal and ore consists of large vessels, of, say, 10,000 tons; their average length is something like 550 feet, with a beam of perhaps 50 to 55 feet, with the engines aft and the quarters forward, and all of the hatches, as you know, open up; you practically take the whole deck off, and underneath you have simply a bin. There are no bracings or anything in there. Now, these vessels handle ore and coal at a low rate with a good deal of profit, and can be loaded and unloaded easily. I have known a ship to come into the port of Ashtabula at 8 o'clock in the morning with 10,000 tons of ore, be unloaded, be reloaded with 10,000 tons of coal, and be away by 8 o'clock in the evening. That makes a very fast turn-around, but vessels of that kind would be much too large to pass through our present canals, and I doubt if we built a vessel of a size to pass through the canals, there would be a profit in it.

By Sir Henry Drayton:

Q. That is a typical lake coal-carrier?—A. Yes.

Q. There has been a slight change in that. There is one operating out of Thorold. A man called Dick owns it. It is a stronger boat and has certain mechanical devices, and is supposed to be doing very well with sand and coal. I was wondering if it would be feasible with that type of boat, which is smaller than the type of which you spoke, to bring up coal from Nova Scotia to Toronto and Hamilton at a cheaper rate. It would be a good thing for Nova Scotia, and a good thing for Ontario?—A. I am speaking now without much knowledge of this particular boat, but I would say you would practically have to have the same crew on the smaller boat as on the larger. In the larger boat you would have much more cargo expense.

Q. I don't think it would stand the weather you get on the Gulf?—A. I think that is true.

Q. This other boat is a half-way boat between a sea boat and a lake boat?—A. I think you will find the whole question will hinge upon the expenses of running the boat per cubic foot of cargo space. That is where we "get off" eventually. That might very easily be investigated; it would not be any particular trouble.

Q. It seems to me there is a large field there which ought to be investigated in the public interest?—A. It would not be much of an undertaking. I think we had better make an investigation of that and give a report before the committee adjourns.

SIR HENRY DRAYTON: If there is any way of getting Nova Scotia coal to Ontario, we want to do it, but by water is the only way we can do it.

THE WITNESS: Water is the only way we can bring Canadian coal up in competition with United States coal.

By the Chairman:

Q. Could it be brought up without trans-shipping at Montreal?—A. Yes. Sir Henry's idea is to provide a boat that will pass through the Canals.

By Hon. Mr. Graham:

Q. It would require a boat of considerably light draught?—A. I am afraid we will be up against the small size of the boats.

MR. HARRIS: I take it none of these 107 trips you spoke of with these 8 steamers competed in any way with boats carrying general cargo to Hamilton and Toronto?

MR. DOHERTY: No, they did not come down below Port Colborne.

MR. HARRIS: No competition with the Kirkwood Line or the Canada Steamship?

[Sir Henry Thornton.]

Mr. DOHERTY: No competition at Montreal at all.

By Mr. Milne:

Q. Could these boats handle grain efficiently?—A. No, you have to figure on these cargoes in vessels especially built for that particular kind of service, either due to their light construction or some such reason, not being available for ocean service. You cannot switch lake tonnage to the ocean, or ocean to the lakes with advantage.

Q. Were these ocean vessels?—A. These were built primarily for ocean transport. They are strongly built vessels, and vessels quite capable of weathering heavy seas.

Q. Could they not be used in some of our ocean lines?—A. They were too small to be profitable in our ocean traffic.

By Hon. Mr. Graham:

Q. We have five or six for the West Indies service now?—A. Yes, some of them.

By Mr. Stewart:

Q. What tonnage are those?—A. About 3,400 tons.

By Mr. Harris:

Q. I take it your policy is to keep all these boats employed?—A. The effort is to keep every vessel employed, to make any money out of it.

Q. That means quite a number will be tied up next season?—A. I think we had a smaller number of vessels tied up last year than in most previous years.

Mr. DOHERTY: Than we had the year before.

The WITNESS (to Mr. Doherty): You only had how many tied up, on an average, last year?

Mr. DOHERTY: About 10.

Sir HENRY DRAYTON: I will say your performance with our emergency fleet has been much better than the performance of the United States with her emergency fleet.

The WITNESS: I thank you for the compliment, but I do not know that it is a very eloquent one, because they certainly made a first-class mess of their fleet.

Sir HENRY DRAYTON: They are subject to the same troubles we are.

Hon. Mr. GRAHAM: Oh, yes.

The WITNESS: They had a much larger fleet, much more difficult to handle. It was an enormous proposition.

By the Chairman:

Q. In a general way, Sir Henry, would you care to express an opinion as to whether you consider it worth while to continue this eastern service which resulted in substantial losses?—A. Of course, a great deal of prominence of a humorous nature was given to the famous voyage of one ship which lost \$73,000, but that is not to be taken as typical of the whole of the service. I should say we ought to continue our Oriental service. The more we study it the more traffic we find that can be hauled and developed. It is like everything else. What I said about the Merchant Marine as a whole, I think, applies to the service to the Orient. I should not feel disposed at this stage of the game to throw up the sponge and retire from the ring, but as long as we have these ships, and as long as we have gotten into the jack-pot—probably nobody will understand what I mean by that—but as long as we have gotten into the jack-pot, I think I would be willing to stand a raise or two——

[Sir Henry Thornton.]

APPENDIX No. 5

Hon. Mr. GRAHAM: Sir Henry Drayton will draw three cards.

The CHAIRMAN: Gentlemen, are there any further questions on this phase of the subject?

By Mr. Jelliff:

Q. How are the rates for carrying grain on the Great Lakes determined? By supply and demand for tonnage—A. You mean, in general?

Q. Yes?

The WITNESS (to Mr. Doherty): Can you answer that?

Mr. DOHERTY: Market conditions and supply and demand.

The WITNESS (to Mr. Doherty): It depends on the ratio of the supply to the demand?

Mr. DOHERTY: Absolutely, sir.

By Mr. Stewart:

Q. We can take it for granted, Sir Henry, that in this return you will bring down, with the rates, you will show all that the traffic would bear at that time?—A. I don't know that I would say that. Possibly we may have been philanthropic and not charged the rates we might have obtained. In the handling of anything of this sort one has to look at it from two points of view; in the first place, we want the Merchant Marine to pay. That is our job. That is what we are here for; to address every reasonable effort to making the Merchant Marine pay, but in doing that we must not be oppressive; we must not do anything which stifles the industrial life of the country, or anything of that sort. Sometimes it is a difficult course to steer, but we must do our job as well as we can; that is, we must make the tools we have been given pay, and we must try to do that under such conditions as will not create an onerous burden to those who give us their traffic. That is as near as I can come to answering that question.

Q. If your return shows the rates, we can compare them with the average rates, and draw our own conclusions as to how philanthropic you were.

The CHAIRMAN: There is no law against that.

Mr. HARRIS: The report we have in front of us, Mr. Chairman, does not just lay out in as readable a way as perhaps some of us would like to have it the operations of the Canadian Government Merchant Marine for this year, as compared with other years. Before I ask for that, I want to ask Sir Henry (Thornton) if the management have in mind any changes in the general method of making up these reports?

The WITNESS: Mr. Harris, I can answer that question in this way; I don't think very much of this report, between you and me, although my name is signed to it, nor do I think a great deal of a good many reports which have been made in the past. This is in respect to the Railway, and we undertook to produce a report which would as fully as possible set forth the operations and the affairs of the company, and it was a pretty big job. We had never done it in so much detail as that before this year as it involved a great deal of work, but I think this report ought to be expanded materially next year. In other words, this report next year must come out—and if I have anything to do with it it will come out—in pretty much the same form as the railway report for last year—

By Sir Henry Drayton:

Q. Not quite, I hope?—A. I don't catch the significance of that statement.

Sir HENRY DRAYTON: I don't know whether we want to discuss the railway report yet, but you have on your front page here a summation and a result which

[Sir Henry Thornton.]

I cannot find in the other. You show the real position here. Take the first page here: you show your real position. If we had that in the Railway's, we would not have statements saying one thing and then another.

The WITNESS: So far as that is concerned, whatever may be said of this report, or the railway report, the effort will be made with this and the railway report to produce a report which will actually reflect the true conditions. That is what we tried to do with the railway report, although you may disagree with it.

By Sir Henry Drayton:

Q. Have you any page you can refer to which is the same as the first page of the Merchant Marine report?—A. The railway report was made in the same way as most railway reports—

Q. That hardly answers my question—A. I think we are rather getting off the subject.

The CHAIRMAN: Yes, I think so.

The WITNESS: What I wanted to explain to Mr. Harris is that we will produce and submit a report which will be much more complete than this report.

Mr. HARRIS: I think there ought to be a careful study of this particular point, and whatever does come down should, in ensuing years, come down in like manner in order that we can form some comparison. It is pretty difficult for one to arrive at any statement of policy on reading this.

The CHAIRMAN: Sir Henry has stated he intends having a much more complete report this year.

Mr. MACKINNON: I want to ask the Minister one question, and that is about the coal from Nova Scotia to Ontario. Sir Henry states that these steamers can not go up on account of the canals being too shallow. Can the Minister say if anything has been done towards deepening the canals to the Lakes?

Hon. Mr. GRAHAM: If the question of the deepening of the St. Lawrence Waterways should be solved, that will answer my friend's question. At the present time there is provision for a 14-foot draught. Our boats, if loaded with a full cargo, could not go through the canals going west; they are not built for that purpose. The only way to ship Nova Scotia coal is by water. At the present time the main difficulty which has arisen, so I am told, is in the transshipment at Montreal. I have wondered if that was really an impediment, but the Government is now studying the question of bringing coal from Nova Scotia to Montreal by boat, and then providing cheaper transportation in the distribution of that coal through Ontario. I do not know whether that question can be worked out or not.

Mr. HARRIS: Well, go ahead with the St. Lawrence proposition before you build any more boats for that service.

The CHAIRMAN: Any further questions on this? If not, we might go on with the estimates, which you will find in the printed estimates, on page 32. Probably the discussion we have had will cover pretty well what we have to say on this. However, we will take it up. This reads:

"Loan to the Canadian Government Merchant Marine Limited, repayable on demand with interest at a rate to be fixed by the Governor-in-Council, upon such terms and conditions as the Governor-in-Council may determine, and to be applied in the payment of deficits in operation of the company and the vessels under the company's control during the year ending March 31st, 1925—"

[Sir Henry Thornton.]

APPENDIX No. 5

the amount mentioned being \$900,000, as against \$1,500,000 last year, a decrease of \$600,000.

Mr. HARRIS: Perhaps Sir Henry will make a statement with regard to that.

The WITNESS: The statement is quite simple. The appropriation asked for each year is to take care of the operating deficit, and was used last year for that purpose, and is intended to be used this year for the same purpose.

By the CHAIRMAN: The operating deficit last year was \$1,800,000—odd. I notice you ask for only \$900,000 this year. Is that because you expect a smaller loss this year?

The WITNESS: Yes. That is because we make allowance for what we conservatively believe to be an improved condition.

Mr. HARRIS: The sale of your assets, Sir Henry—the money received on the sale of some of your assets here—is being held for the purchase of new assets?

The WITNESS: You mean what use we mean to make of the money from the sale of the ships?

By Mr. Harris:

Q. Yes?—A. These profits are held at the disposal of the Government.

Major BELL: It goes to the Receiver General.

Mr. STEWART: How are you taking care of the \$364,000 of deficit last year in excess of the amount provided by the estimate?

By Sir Henry Drayton:

Q. You would have a credit from these retired notes at once?—A. Yes.

Q. How much would that amount to?

The WITNESS (To Mr. Davidson): That comes in on the supplementaries.

Mr. DAVIDSON: We have not put in a supplementary, but evidently there will be later on.

By Sir Henry Drayton:

Q. The question of my friend on my left (Mr. Stewart) was as to how you made up that difference of \$600,000 this year, but of course, you would be in a better position to explain this?—A. You mean the difference between what we asked for last year—

Q. Yes?—A. Because we conservatively expect we will be in a much better position—

Q. And the sale of these boats would save how much interest, for example, and depreciation?

Major BELL: The estimate is only to provide for the actual cash outlay.

Sir HENRY DRAYTON: Just the actual cash outlay.

Major BELL: Just the actual cash outlay.

By Sir Henry Drayton:

Q. That reflects the opinion of the management as to the likely improved condition?—A. Yes.

Mr. STEWART: I do not think Sir Henry Drayton has taken the correct meaning out of my question. The operating cost last year was \$1,864,000; the estimate provided for \$1,500,000. I want to know how the difference, which would be \$364,000, is provided for?

The CHAIRMAN: One is the fiscal year, and the other is the calendar year?

Major BELL: I think we had a supplementary. There was a vote of \$1,500,000, providing for the deficit last year, and there was an actual deficit

[Sir Henry Thornton.]

of \$1,800,000—odd; the difference is an overdraft, for which no provision is made.

The CHAIRMAN: Would that be covered by this \$900,000?

Major BELL: Yes.

Mr. STEWART: Actually then, we are only providing if we vote \$900,000, for a deficit of a little over \$500,000?

Major BELL: There is a certain elasticity on account of our working capital.

The CHAIRMAN: Will there be a supplementary in addition to that?

Major BELL: No. That amount is supposed to take care, so far as we know, for conditions this year.

The CHAIRMAN: This is a little encouraging. Are there any other questions.

By Sir Henry Drayton:

Q. That really works out this way, then; that the vote really represents only \$543,399, as the amount required, in the opinion of the management, to run that deficit?—A. That is what we would ask for.

Q. So this is practically a reduction in the estimate of \$1,000,000 for last year?—A. Yes.

By Hon. Mr. Graham:

Q. If we can hold out on that basis through the year?—A. Well, of course, the less money you have to spend the best pace-maker it is, in some ways..

Sir HENRY DRAYTON: I am not grumbling over it.

Mr. STEWART: There is another point upon which I desire information. I am not clear whether the Board handling the Merchant Marine have the authority to increase the fleet without a particular vote, or at least, without it being shown in the estimate that that is the purpose the money is voted for.

The CHAIRMAN: Capital expenditure?

Mr. STEWART: Capital expenditure in the way of new boats.

The WITNESS: I would rather that someone who is more familiar with the intricacies of procedure would answer that.

Major BELL: That amount mentioned there cannot be used for buying a new boat, but if we have money from the sale of a boat, one type of boat, we could take that money and with the approval of the Government buy another type of boat.

Sir HENRY DRAYTON: In other words, you have \$300,000 which you could use for buying boats, with the approval of the Government?

Major BELL: In the old Canadian Northern we have a trust fund which must remain there, or used to buy a new boat.

The CHAIRMAN: Then you have the money from the sale of the four boats?

Major BELL: Yes.

Mr. STEWART: You can exchange the boats in service, but cannot increase the capital investment?

Major BELL: Yes. We must have the approval of the Government to sell these boats; otherwise the Board would not do it.

Mr. STEWART: Is the same thing true of the present use of a new boat?

Major BELL: Yes.

By Sir Henry Drayton:

Q. How much did you get from the sale of these boats?—A. These boats were sold on terms; that is, 50 per cent down, and a first mortgage on the boats for the balance.

[Sir Henry Thornton.]

APPENDIX No. 5

Sir HENRY DRAYTON: You probably could not get all cash at once, and I have no doubt you have arranged so you are sure of getting your money.

Mr. KYTE: Were some of these boats on the lakes?

Major BELL: Yes. Tenders were invited, but I do not think we got a single tender—

The WITNESS: We got a tender, but it was such a ridiculous one that we would not accept it.

Major BELL: There were no tenders accepted anyway. They were considered too low.

Mr. KYTE: These vessels were sold at a very much less price proportionately than their original cost?

Major BELL: Yes.

Mr. KYTE: The present operators would not have to provide for such a large capital charge against operating expenses?

Major BELL: That is true.

Mr. STEWART: I think it was suggested yesterday that the replacement cost would be about 60 per cent.

Sir HENRY DRAYTON: No. I was asking Sir Henry Thornton whether he thought \$60 per ton would be the present replacement value.

Mr. STEWART: That is my mistake. I thought you said 64 per cent.

Sir HENRY DRAYTON: No. I think this represented 175—

The WITNESS: I should think so. They were built in times of great pressure and under peculiar conditions.

The CHAIRMAN: Gentleman, you have had a pretty general discussion on the whole range of activities of the Canadian Merchant Marine. I should say we are through—

Sir HENRY DRAYTON: They are looking up the figures on the sales of these boats—how much they amount to.

The CHAIRMAN: I should say then you ought to crystallize your opinion in some way in the form of a report.

The WITNESS: The total sale price was \$721,000, of which we received \$346,900 cash; the balance has been taken out in securities on the vessels, on notes and other collateral security which, in our judgment, covers and protects the balance. We will ultimately get \$721,000.

By Mr. Drummond:

Q. How many vessels?—A. Seven.

Sir HENRY DRAYTON: Now, in addition to that, there is a credit in connection with the steamships of the Canadian Northern. How much does that amount to?

Major BELL: I think it was some million—

The WITNESS: I think it approximates \$1,200,000.

Sir HENRY DRAYTON: Was that the net result, or not?

The WITNESS: Yes.

Sir HENRY DRAYTON: So that the net result of it all is that the Government and the management have available a fund, either immediately available or shortly to become available through good securities, of \$1,921,000, which might be applied in the purchase of new boats, with the consent of the Government?

The WITNESS: That is right.

[Sir Henry Thornton.]

Mr. STEWART: The reports we have before us show only four boats sold during 1923.

The WITNESS: Yes, but we have sold three since this report was published. I have given you the situation up to date.

By Mr. Stewart:

Q. Could you give us the names of the other three?—A. The *Canadian Logger*, the *Sealer*, and the *Miner*.

By Sir Henry Drayton:

Q. How are these funds carried? How is that \$1,200,000 carried?—A. That is in the hands of trustees.

Major BELL: With the National Trusts of Toronto.

Sir HENRY DRAYTON: The interest is applied how?

The WITNESS: Credited to the fund.

Sir HENRY DRAYTON: It will go against the bonds?

Major BELL: It will go against the bonds, yes, sir.

Sir HENRY DRAYTON: I think, Mr. Chairman, we might pass that item, and approve that estimate.

The CHAIRMAN: Do we need a formal motion? I believe not.

Hon. Mr. GRAHAM: Oh, no.

The CHAIRMAN: Anything by way of a resolution or otherwise which you want to submit before passing on to the Railways? Do you want to consider the report—

Sir HENRY DRAYTON: In connection with the report: I think we have something here that ought to be covered. One thing is the chilled meat business, which Sir Henry Thornton was to give us information on.

The CHAIRMAN: And the development of the West Indies trade—

Sir HENRY DRAYTON: Yes, and also the coastal service.

The WITNESS: I was wondering whether the Committee might think it wise—and I think it would be certainly useful to those who administer the Merchant Marine, if all of this discussion, or a large part of it, could be crystallized and set forth in three or four or five conclusions for the future guidance of the Administration; for instance, your opinion with respect to the West Indies traffic, the further fact that we should endeavour to develop a chilled meat business, the fact that it is obvious that most of the losses on our United Kingdom traffic result from an insufficiency of westbound cargo, and that efforts should be addressed to provide more westbound traffic. In other words, I think it would be too bad to have all of this very useful discussion simply disappear, and only be represented in the form of evidence which very few people will probably read.

Sir HENRY DRAYTON: There are concrete things with which we might deal.

The WITNESS: I would like to get the thing crystallized into something we could use as a guide post, more or less, for the future.

Sir HENRY DRAYTON: It seems to me, Sir Henry, after listening to you, that the concrete things we should deal with should be first, we ought to observe our contractual obligations in the West Indies business. That, possibly, ought to be looked after. There is no doubt about it, our obligations ought to be observed, and I also think, of importance to us, that something ought to be done in connection with that coastal business that shows a profit, whether by purchasing new boats, or the transfer of boats from unprofitable routes—which would be my view—if we are all clear that everything should be done

[Sir Henry Thornton.]

APPENDIX No. 5

to develop a paying business, and the coastal trade on the Pacific show that it is a paying business. We could make any definite recommendation that is necessary on that point, which is really sound. On the general principle of going after paying business, and obtaining it. Then there is another thing in which we are interested, not only from the standpoint of the Merchant Marine, but the country as a whole, and that is building up a proper regular service, so that the people of the Maritime Provinces can depend upon it, and the people of the Pacific coast can depend upon it, through the Panama canal. I think we ought to do all that is possible in regard to that. My personal view is if we put up a proper service there with England, we would then not need to bother about customs representatives in New York; we can get clear of a lot of these questions; we would do the business ourselves.

The WITNESS: You see, all of these things, if crystallized in some concrete resolution, will be very useful not only to the present administration but successive administrations as an indication of the policy which the shareholders of the company, as represented by this Committee, approve. It gives them something definite to work upon.

Sir HENRY DRAYTON: I suggest the management bring down their recommendations the way they want them.

The CHAIRMAN: I think that is more for the Committee—

Sir HENRY DRAYTON: I will get to that in a moment. I think, after all, the management knows what they want, and they could send down their recommendations, and we could have a copy of them, and go over them to see to what extent we could meet their views, or change them if necessary. I think that is the concrete way of making progress. The management know more about this than the Committee, although we have had a great deal of discussion.

Hon. Mr. GRAHAM: I would like to report on the Merchant Marine. We could report this portion to Parliament. I want to get on with my estimates, and if I had a report drafted, I could go on with the estimate for the Merchant Marine, and get that cleaned up.

Sir HENRY DRAYTON: I see no reason why this should not go through the House just as it stands.

Mr. STEWART: Should not this resolution we are discussing be a part of that report to Parliament?

The CHAIRMAN: I should think so.

Hon. Mr. GRAHAM: That will be the report to Parliament.

Sir HENRY DRAYTON: I understand the Minister does not want to be held up—

Hon. Mr. GRAHAM: I do not think I would be justified in presenting my estimates at all until we get the opinion of this Committee.

Mr. HARRIS: When we are accumulating this expression of opinion, I do not think it is necessary to tie up a gentleman like Sir Henry Thornton and these other gentlemen. The Committee have the information in front of them. If it is simply to pass the estimate we ought to be able to come to some conclusion, but if these gentlemen have to sit here and listen to our deliberations—

The CHAIRMAN: Could we not adopt an interim report to the House?

Mr. MACKINNON: I move this be approved.

Sir HENRY DRAYTON: I second the motion.

The CHAIRMAN: Moved by Mr. Mackinnon, seconded by Sir Henry Drayton, that the estimate of the Canadian Merchant Marine, of \$900,000, be approved.

The motion agreed to.

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

Mr. STEWART: It is definitely understood this is only an interim report, so we can add a rider in the form of this resolution?

The CHAIRMAN: We will bring in a second report.

Hon. Mr. GRAHAM: I am very much delighted at these proceedings, because I think the management can see the different angles from which we all look at these things. We cannot make a policy that is suitable for everybody, but it is a good deal easier to arrive at a just conclusion concerning all the things that go to make up a policy, when the management sits here and hears the opinions of men from all over the Dominion of Canada. I think they appreciate it. I know I do, and I think we all appreciate the things we have got from the management.

The WITNESS: Speaking for the management, I will say that I think this discussion has been extremely illuminating; it has given us all perhaps a different and better point of view, and I think the deliberations of the Committee, as far as we are concerned, have been helpful.

Sir HENRY DRAYTON: There is one thing, Sir Henry, which I think would delay things a good deal if we were to go into it, and that is the question of the activities of your Traffic Department, which is involved in the question of returning cargoes. We would be here all summer and then we could not really help you. That is entirely a matter of traffic.

The WITNESS: It is quite largely a question of active solicitation.

Hon. Mr. GRAHAM: It is the existence of the traffic and our ability to get it.

The WITNESS: As far as that aspect is concerned, I think we can make considerable improvement in the future.

Sir HENRY DRAYTON: I don't think the Committee can interfere there at all.

The WITNESS: I think we will be able to tell you an interesting story with respect to increased traffic activities next year. The more the administration gets into this thing, the more we find out, and the more we find that things could have been done differently, and possibly better.

Sir HENRY DRAYTON: That is one of the questions which I purposely kept away from, in the interests of management.

Mr. HARRIS: There is another feature which enters into that. Some of us are not very keen to see them heavily laden, from European points to Canada.

The WITNESS: Providing they bring in things which do not compete with our manufacturers here.

By Mr. Milne:

Q. Are we getting our share of the trade coming this way?—A. No, we are not.

Sir HENRY DRAYTON: And there are reasons why there are difficulties? I am not criticizing that at all.

The WITNESS: That is entirely right; we are not.

By Mr. Mackinnon:

Q. Do you touch Manchester?—A. No. You mean by way of the Manchester ship canal?

Q. Yes?—A. No. We have not had any ships to Manchester.

Mr. MILNE: I spoke yesterday about this rebate system, and I was informed it was practically out of existence, but in looking over this report of the Imperial Conference, I find that it still exists. Without going into it extensively, there is a sentence here which says, "In the main it affects only the out-

[Sir Henry Thornton.]

APPENDIX No. 5

ward trade from this country"—that is referring to Britain—"to other portions of the Empire." Now, a little further over there is another sentence which says, "Instead of having a form of a rebate to be paid to you after a certain period of deferment, provided you are loyal, they are substituting an agreement whereby you sign a contract to remain loyal to the ships,"—with certain exceptions. There are two possible forms for rebate, one is a rebate, and the other is a payment of damages if you fail to act up to the agreement to be loyal.

Hon. Mr. GRAHAM: You must not forget that the British Government is quite a shareholder in the shipping on the High Seas, and the Shipping Board's activities in some parts of the Empire have been to straighten out difficulties, the result of which has been to practically get a monopoly of the shipping for certain transportation companies. That is, if they put on a service they ask the shippers to make an agreement that they will give them their business, in order that they may have an opportunity to get the traffic.

Mr. MILNE: I realize that, but the British Government are backing the British shippers to that extent. What is the use of our trying to buck the British Government?

The WITNESS: If I remember the discussion rightly, your question arose out of the North Atlantic Conference matter, and I think the answer that interested you at that time, and it ought to interest you, was that insofar as the North Atlantic Conference was concerned, the granting of rebates had been stopped.

Mr. DOHERTY: That is right.

The WITNESS: I do not think what you read there refers to the North Atlantic Conference. I think it may refer to the general shipping position with respect to England, and I am sure that the answer given to your question with respect to those services in which we are interested, that there are no rebates today being given, is correct. (To Mr. Doherty) Is that right?

Mr. DOHERTY: The practice went out of existence 12 or 14 years ago. It was in force at one time between Canada and the United Kingdom, but for the past ten or twelve years it has been out of existence.

Mr. MILNE: How about the other direction?

Mr. DOHERTY: It covers both directions.

The WITNESS: Secret rebates may be given.

Mr. DOHERTY: Of course.

Mr. MILNE: I admit that.

The WITNESS: There is no way to check it up. If anybody wants to do it, they can "get away with it".

Mr. MILNE: Yes.

The CHAIRMAN: Are you ready to go on with the discussion of the National Railways?

Several MEMBERS: Yes.

Hon. Mr. GRAHAM: Gentleman, in the absence of the Prime Minister I am compelled to go to Council at 12 o'clock.

As a member of the Committee, I would suggest you take up the question of the purchase of the Paris Building.

Sir HENRY DRAYTON: I think we ought to look for a statement from the Minister on that.

Hon. Mr. GRAHAM: I will give you a statement any time I am required to, but I am sure the gentleman before you (Sir Henry Thornton) can give you a better statement than I can.

The CHAIRMAN: Is it the wish of the Committee to take up the Scribe Hotel building matter?

[Sir Henry Thornton.]

Several MEMBERS: Carried.

Hon. Mr. GRAHAM: I think you should call it the "Paris building".

Sir HENRY DRAYTON: I thought you wanted it called the "Palais Canadien"?

By the Chairman:

Q. Sir Henry, are you prepared to discuss that matter?

Hon. Mr. GRAHAM: I think that matter should be taken up at this time.

The CHAIRMAN: Perhaps this would be a good time to do it.

The WITNESS: Yes, I can do that. Wait until I get my papers together.

The CHAIRMAN: Gentleman, Sir Henry Thornton will give a statement first and will be followed by Major Bell, who I understand has certain details.

The WITNESS: The statement that I propose to give you refers to the reasons which led the administration to take the necessary steps to acquire suitable quarters in Paris, and Major Bell will subsequently give you a statement with respect to further details, with which he is more familiar than I.

Early in 1923 it seemed that it was essential to equip the Canadian National Railways for an expansion of business on the continent of Europe by having suitable quarters in Paris, and in this connection it also seemed desirable that simultaneously the various offices of the Dominion Government in that city might be advantageously assembled on the same site, thereby providing a centre in what is really the capital of the continent which would be entirely Canadian in its atmosphere. The particular reasons just touched upon are more specifically elaborated below:—

(1) To a large degree Paris is to-day the most important city on the continent. The activity and influence of the French Government on the continent, apart from any other reason, have contributed largely to this result. It is the centre of tourist traffic, and practically every visitor to Europe eventually either passes through Paris or spends a number of days in that city. Many of the large English and United States financial institutions have important offices there. Business conferences and meetings for the determination of business and industrial policies are held there, and broadly speaking, the industrial, commercial and banking life of the continent radiates from Paris; so that it cannot be denied that the city of Paris from every point of view is the most important metropolis on the continent. Under these circumstances, to remain without adequate representation and suitable quarters in such a centre would be to surrender that participation in European business which is essential to the business expansion and prestige of the company if it is to play its part in international traffic.

It is also to be remembered that the Canadian National Railways has working arrangements for both freight and passenger business with the White Star and Cunard steamship companies. The Canadian National Railway System collaborates with these steamship companies in the active solicitation of business destined to Canadian ports and points in the interior. While it is true that these steamship companies have, to some extent, their own offices in the various capitals of Europe, it was distinctly desirable that the travelling public should be impressed with the fact that the Canadian National Railways are not without steamship connections, and the offices proposed in Paris have an important bearing upon this aspect of the business. There is also to be considered the importance to the Canadian Government Merchant Marine the increase of our westbound tonnage.

(2) Practically all of the first rate business locations in the heart of Paris have already been taken by banking, business and transportation companies. No site of the necessary size for the purpose of the national railway system could be obtained, and the only way in which adequate quarters could be secured was thought to be through the acquisition of the Hotel Scribe; it being

[Sir Henry Thornton.]

APPENDIX No. 5

the intention, after reserving such space as was necessary for the Canadian National Railways, to sell or lease the balance.

(3) The possession of suitable and commodious offices in London furnished adequate precedent for the acquisition of similar quarters in Paris, and, furthermore, the experience and policy of other large railway and business institutions confirmed this opinion, for it is to be remembered that many of these institutions have offices not only in London and Paris, but also in other less important capitals of Europe.

(4) In view of the fact that it was, and is, the intention of the Canadian National Railway System to enter aggressively the European field for freight, passenger and express traffic, as well as for the purposes of emigration, it is essential that whatever quarters are secured should be second to none, and the site selected represents beyond any question the most important and satisfactory location which could be obtained.

(5) It was the intention that ultimately the various departments of the Government now maintaining offices in Paris might be assembled under one roof, together with any other Canadian institutions which might desire suitable quarters, thereby establishing a Canadian centre in the best business part of Paris which would not only be of advantage to the Dominion as a whole but lend still further prestige to the national railway system.

With the above objects in view the Hon. Philippe Roy, the Commissioner General of the Dominion Government in Paris, was communicated with, to determine whether, if such quarters were provided, he could endorse the policy upon which the matter was proceeding and would remove his offices to any site which might be obtained provided location and rentals were satisfactory to the Government and himself. The Commissioner expressed his approval of what was contemplated, and subsequently Mr. Arnold Aronovici, a resident of Paris, proposed to the Commissioner the acquisition of the Rue Scribe property. The president of the Canadian National Railways has no recollection of having initiated the matter with Mr. Aronovici although, from his previous acquaintance with him, there were no objections whatever to his intervention in the matter. Mr. Aronovici is a Roumanian by birth, with a wide business experience on the continent of Europe. For fifteen years or so he had been in business in Paris, and during the latter stages of the war, in anticipation of a more aggressive continental policy, he had been appointed General Continental Agent of the Great Eastern Railway of England by and with the approval of the directors of that company. He was acting in this capacity when negotiations for the Paris property were commenced with him. After considerable investigation he succeeded in securing an option on the Hotel Scribe property for 32,000,000 francs, and about the 1st of April, 1923, he came to Montreal to discuss the proposal.

Other opinions from responsible sources indicated that the price was fair and, as information was received that at least two other important companies were considering the site, Mr. Aronovici was instructed to at once close on his option.

In this procedure counsel advised that there were no legal obstacles to prevent the consummation of the purchase. It was the intention at that time that the property should not be purchased outright by the Canadian National Railway System but resold or financed through some outside agency or syndicate with which satisfactory terms might be arranged, leaving the company in possession, at a reasonable rental, of that part of the property which was desired for railway purposes. Reasonable assurances from responsible people were given that there would be no insuperable difficulties in working out such an arrangement. In order to permit freedom of action, it was decided that the title to the property should be taken in Mr. Aronovici's name, the railway to finance him through the Bank of Toronto so that he could make the purchase. This was done and a mortgage taken for the protection of the company on the property and also Mr. Aronovici's note for the whole of the purchase price.

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

These and all other subsequent arrangements were conducted under the advice and scrutiny of the legal department of the National Railway System.

The arrangement with Mr. Aronovici was that he should look after all of the details of acquiring the property, such as examination of title, legal proceedings, taxes, and, what was particularly important and difficult, the negotiations for the vacation of the property by existing tenants. He was also to have plans prepared for the rearrangement of the property to suit the requirements of the Canadian National Railways and other tenants, and, broadly speaking, to do all that was necessary in connection with the purchase of the building, its rearrangement and subsequent administration. In return for these services Mr. Aronovici was to receive a commission of ten per cent on the purchase price in the event of the property being taken over by some such machinery as that indicated above within a period of five years, and this was to be full compensation for all of his services in connection with the acquisition and administration of the property.

It is proper to say that some time after the purchase, consideration was given to the development of a European organization, and Mr. Aronovici was asked to accept, and did accept, the post of General Continental Agent. His qualifications were his previous experience with such work in a similar capacity with the Great Eastern Railway of England, his wide and fluent acquaintance with European language, and his general knowledge of European conditions. He was engaged at a salary of \$15,000 per annum.

About the middle of May, 1923, Mr. Aronovici returned to Europe to carry out the details with respect to the purchase of the property and shortly thereafter negotiations were entered into with one of the large insurance companies of England for the purpose of financing the deal. This company was prepared to furnish, on terms to be subsequently arranged, approximately £700,000.

By Sir Henry Drayton:

Q. I suppose that is the Prudential Insurance Company?—A. Yes.

A French Company was to be formed which would take over the title. Subsequently, the purchasing syndicate scheme was changed so as to provide for a loan made by the above mentioned insurance company to a subsidiary Canadian Northern Company upon an issue of the subsidiary company's debenture stock charged upon the capital stock of the French company which latter company was to hold the title to the Hotel Scribe. The amended scheme had the advantage of avoiding duplication of taxes and was largely directed towards that end, but the falling of European money values and legal conditions affecting the registration in France, with resulting high taxes, led to the abandonment of this proposition, and it was ultimately decided, after much investigation and discussion, that the most advantageous arrangement would be for the Canadian National Railway itself to take over the property. This opinion was further confirmed as it soon became evident that the rentals to be secured from outside sources would more than carry the capital invested and the transaction would then become more profitable to the railway company than was originally contemplated. Under these circumstances there seemed no reason why an outside syndicate should reap the benefit of the company's foresight.

As the transaction stands at present, the property is in the name of the French company, but all of the stock of that company is held on behalf of the railway by the Canadian Northern Realities Company Limited. The railway will have the full management and operation of the building and, as a result, will have acquired at a reasonable rental a site of constantly increasing value on which can be assembled, without undue expense, any Government offices which may choose to avail themselves of the opportunity.

In the latter part of 1923 it was found that the services of Dr. W. J. Black, former Deputy Minister of Immigration and a man of outstanding capacity and

[Sir Henry Thornton.]

APPENDIX No. 5

reputation, might be obtained. After careful consideration it was concluded that the best interests of the system would be served by putting Dr. Black in entire charge of emigration and development affairs in Europe. His familiarity with Canadian conditions rendered him particularly valuable in this capacity, and, in view of this, it was decided that there would be no further need of Mr. Aronovici's services. The latter, however, had abandoned an important post with the Great Eastern Railway of England and it was only fair that a reasonable compensation should be paid him in connection therewith and also for his services relating to the acquisition of the property. In the final settlement with him he agreed to accept and received a commission which would amount to approximately five per cent of the purchase price and about \$7,500 as an allowance on account of salary. Accordingly he resigned from the service of the company.

I would like to explain that the French taxation laws are exceedingly intricate and exceedingly difficult, as we discovered, and having paid a considerable sum in transfer fees and taxes for the acquisition of the property, we felt that we were justified in trying to avoid any duplication of these transfer fees. That, after we got into it, taken into consideration with the depreciation of European currency, led us all to the conclusion that it would be more advantageous for the company to take the title to the property itself. We were further quickened in that opinion by the fact that the property is constantly increasing in value, and we were satisfied that the outside rentals for the space not occupied by the company would be more than sufficient to carry the capital charge.

Now, Mr. Chairman, that represents my statement of the matter, broadly speaking, and with particular reference to the reasons which led me to feel that the acquisition of such a property in Paris was essential for the welfare of the system. In working out the details, Major Bell went abroad for that purpose, and he can tell you the subsequent story.

By the Chairman:

Q. There were two transfers, then, altogether; one by Mr. Aronovici?—A. Yes.

Q. And the other by him to the company controlled by the Canadian Northern Realities Company Limited?—A. That will all come out in what Major Bell will tell you.

SIR HENRY DRAYTON: What course does the committee want this to take? Do we want the whole story first, or shall we proceed to question Sir Henry Thornton?

THE CHAIRMAN: Will some one move that we hear Major Bell? We may as well get it in the regular order. I will observe the wishes of the committee; if the committee wants to hear Major Bell I would like a motion to that effect, and if it is desired to question Sir Henry Thornton, a motion to that effect.

THE WITNESS: I think at least some of the things Major Bell will tell you will give you the connected story. If you question me now I would have to ask him to answer some of the questions anyway.

MR. STORK: I will move that Major Bell be heard.

THE CHAIRMAN: It is moved by Mr. Stork and seconded by Mr. Kyte that Major Bell be heard.

Carried.

MAJOR G. A. BELL: Mr. Chairman, about the 1st of August, the latter part of July or the 1st of August, 1923, Sir Henry Thornton, Chairman of the Board, asked me if I would proceed to Paris for the purpose of looking into the whole question of the purchase of the Paris building, and also in connection with

[Sir Henry Thornton.]

the financing, as to whether we should finance this through the syndicate, or take a loan on the building, carrying the property in the name of the Canadian National Railways, and when I say in the name of the Canadian National Railways I mean through one of the subsidiary companies. I arrived in London about the middle of August; I had cabled Mr. Aronovici to meet me there, and we proceeded to take up the question of the transfer of this building. He differed a little from me at the start whether it would be good policy for the railway to take it over, or whether it would not be better to leave the property with him. He contended he could give the railway the space required at a reasonable rental, and that he could more advantageously rent the balance of the building than if we took it over. Various discussions took place at that time in London and later on in Paris, and I found he was working up a scheme to lease to a subsidiary company, an hotel company, three of the upper floors, and from a money-making standpoint I think possibly it was a very good thing. Personally I thought it would be rather objectionable to have that hotel in the same building where we had our offices, and while I thought he might possibly make a little more money out of it from a rental standpoint than he would renting it for offices, I could not agree with him. Naturally, if he had gone on and exploited the building, even if the railway had got their space for nothing I think he would have made considerable money himself if he had handled this thing properly, because I think it lends itself for rental purposes to considerable advantage to the people who own it. However, I came to the conclusion, and in communication with the Chairman he agreed with me and I also had the advice of one of the ablest lawyers in Paris, Mr. Archibald, who was a Canadian from Montreal. He has probably one of the largest practices, and is one of the most reputable lawyers in Paris. I also had the advantage of the advice of our lawyer in London, Mr. Brown. I might say for your information that Mr. Archibald is a son of Judge Archibald of Montreal, and a brother of Doctor Archibald. I was in very close touch with him; practically no move was made from that time on without Mr. Archibald's advice and counsel. After considerable negotiation Mr. Aronovici made the statement that he did not want to make any money out of this; he agreed that he was acting for the railway, said that he did not want to make any money out of it, and he was willing to transfer this building to any company or syndicate that we might decide on, and do so in any form we might ask him to. It was therefore decided—first of all we abandoned the idea of the syndicate, because the taxes were going to run up so high, and the transfers to this syndicate were going to run up so high it did not pay us to do it. It was decided instead to form a company with a capital of 30,000,000 francs, and immediately upon its formation the company—the company was to consist of Canadian National officers, two, I think, from the Prudential Insurance Company, Mr. Archibald, and one of Mr. Archibald's partners. The company was formed, I was appointed president, and I brought Mr. Young, a Canadian, from our London office, whom I had known in the old days, a man in whose ability I had considerable confidence. I brought him to Paris and appointed him to the directorate, and made him general manager. The company was duly formed, and Mr. Aronovici immediately transferred his shares to the company. I have forgotten what the charge was, but I think it is about one per cent, which it cost us for the transfer, where if we had made the regular transfer it would have cost us 12 per cent. Taxes in France are very high. If you buy a million dollar property, they charge you 12 per cent on the transfer. If you put a 60 per cent mortgage on, or any mortgage, no matter what it is, they charge you another 11 per cent on that, and there are various other charges, so when you get through with the transfer of a piece of property in Paris, you have paid from 25 per cent to 30 per cent of the total value of the property. So it was most important that we should have

[Sir Henry Thornton.]

APPENDIX No. 5

some means of transferring this so as to keep down the cost, which we did; it was perfectly legal and a form of doing business in Paris. I finally decided it would be better to form this company and eliminate the syndicate, make the loan direct from the Prudential Company, and the Prudential Company agreed to advance us £700,000. I think my negotiations with them up to that point went into about the middle of October, and I came out to Canada to report to the Board, and it also required the approval of the Government, so I came back to put the whole matter before the Government. The Board approved of it; the resolution which was put through has been tabled in a return which has been brought down in the House. I might say that before I came over I had an understanding with the Hon. Mr. Barrington, who represented the Prudential Company, and that is embodied in a memorandum which was tabled in the House. I also had an understanding with Mr. Aronovici as to the transfer, and that is also embodied. A resolution of the Board was passed authorizing me to proceed on the lines I have just set out. I also explained the matter to the Prime Minister, to Mr. Graham, and to Sir Lomer Gouin, and I had an informal approval, that it was quite all right to go ahead on this basis, and the proper Orders in Council would be put through when the transaction was completed. I returned to Paris and started to take steps to clean the matter up. The question of payment to Mr. Aronovici then came up. Mr. Aronovici had been advanced, in round figures, \$2,600,000, that was represented by a note which he had given to the Bank; the Bank had given him the money practically on the guarantee of the railway; the railway had to deposit funds to cover it. The question then came up of checking up what he had done with this money. There was no difficulty about the main items, because they are all recorded in the office in Paris, and we had the notarial documents which were quite all right; we had no trouble checking them. The purchase price of the property, the exact amount, was 28,000,000 francs.

By Mr. Kyte:

Q. How much would that be in our money?—A. It would depend on the exchange. There was about 40,000,000 francs advanced altogether, and that represents about \$2,600,000, and a little over. The registration fee was 3,360,000 francs; that is what the French Government got out of it.

By the Chairman:

Q. Original price, 28,000,000 francs?—A. Yes. The registration of the mortgage cost 750,000 francs. A man named Delaine, a reputable architect of Paris, who had the option, had been paid 600,000 francs. The Grand Cafe, which had a lease, was paid 3,710,000 francs. I might explain that, probably, in going along, in connection with another charge in connection with the purchase of property in Paris. Nearly every lease in Paris is a long lease, running from 14 to 15 to 20 years. A great many of these leases were made before the war when the franc was at par, roughly 20 cents. The franc went down before I left Paris to about 5 cents. Naturally the lease was worth just four times what they had originally paid for it. If a man had made a lease to pay 100,000 francs a year for a piece of property before the war, he could not get it to-day for 400,000 francs. Not only did the franc go down, but during the last three years the rental value of property in Paris has gone up; it is almost impossible to get an office or a building. In fact, it is so bad that the French Government has put through a statute that where there are dwelling houses, you cannot convert them into shops. If you want to repair them, you must repair them as a dwelling house, the shortage is so bad. So, naturally, rentals went up while the franc was going down. So the rentals in Paris, if the franc had been the same as in war days or shortly after the war, would probably be 50 per cent

[Sir Henry Thornton.]

higher, without regard to the enormous fluctuation between the amount of francs you had to pay before the war, and the amount you have to pay to-day.

To illustrate just what this costs; I do not want to give the name, because I got this information to a certain extent in confidence, but there is a prominent insurance company in New York, who conducted the purchase of a building almost similar to this, only they handed their representative in Paris 15,000,000 francs and he was to do his best to get the tenants out and repair the property. He succeeded in doing everything he was asked to do, with one exception. This was a triangular building, and in the apex of the triangle there was a cafe, and he could not get that out. The owners of the cafe had a very, very valuable site, and to-day this building has been lying idle, with everybody out but the cafe owners, and they cannot get them out unless they pay them 6,000,000 francs, and their lease still has two years to run, and that building is simply standing there, with all this money invested. You can get some idea from this of what you have to pay on the main streets of Paris to get these chaps out. The French law protects them. It is very hard in Paris to dispossess a tenant unless you come to his own terms.

That accounts for the Grand Cafe, of 3,710,000 francs. I don't know whether you have all read this return although I think Sir Henry has, but you will notice the difference, Sir Henry, from the amount set out as the property amount. We estimated we could get the Grand Cafe out for 3,000,000 francs, but it cost finally 3,700,000 francs. Then there is a draft on the Bankers' Trust of 20,000 francs; legal fees, 60,000; payments to architects 192,000—

By Sir Henry Drayton:

Q. You gave us the architects altogether?—A. That payment I spoke about was to hold the option. This payment of 192,000 francs was money which Mr. Aronovici had paid out in having his architects prepare plans for the remodelling of the building. He had gone ahead and let contracts for certain changes, where he was going to instal this hotel, when we stopped him.

The Jockey Club on account of dispossession, 210,000 francs. The amount he had agreed upon with the Jockey Club, if they moved out on a certain day, was 700,000 francs. They asked for some delay in moving out, and as we could afford to do this, we agreed to that, and the option was to be reduced in proportion. The matter has been handled by Mr. Archibald, and it amounted to 212,000 francs. That was all that was paid.

In addition there is the item of taking up the option on purchase, 1,735,000 francs. That amount, Sir Henry refers to as being slightly under 5 per cent. In dealing with Mr. Aronovici, I took the ground that we would not pay him a dollar for anything unless he could produce vouchers I could place before the Board, and which could be exposed on the table of the House if necessary. He had made, or claimed to have made certain payments and as far as I could gather from Mr. Archibald's advice I have no doubt he did make the payments, but as he could not produce the vouchers for certain reasons I refused to pass the amounts, and we were held up for a while in our negotiations, but, as he could charge us 10 per cent commission, we finally agreed to pay what would equal this amount. That is why this amount of 1,735,000 francs is there. I want to make an explanation in connection with this, but I much prefer that the reporter should not take notes of it.

(Whereupon, by request of the Witness, and at the direction of the Chairman, the explanation referred to was not reported).

Major BELL (continuing). When I left, I left a certain amount of cash over there; had the cash transferred for the payments of certain things which might be necessary to go on with our work. There was about 1,720,000 francs, at the last report, on hand, so the total expenditure as of the 1st of May—I think the

[Sir Henry Thornton.]

APPENDIX No. 5

statement is dated May 28th—there were either expended or cash on hand in connection with the Paris building about 40,360,000 francs—I am giving you the round figures. I am quoting from a statement brought down in the House.

The CHAIRMAN: Actually expended?

Major BELL: Or cash on hand. That is the total that was paid out; it is either cash on hand or expended. Some of this 1,700,000 may have been spent since.

The CHAIRMAN: But there is 7,000,000 on hand out of the 40,000,000—

Major BELL: No, 1,700,000 francs. That roughly is about \$2,700,000, the total cost of the building. About the time we had this French company formed, and I will say that I was the President, and Mr. Young was the General Manager, and Mr. Archibald was an officer, and the balance was made up of our officers. We had two of the Prudential Company, who were afterwards substituted—about this time the loan we were to make of 700,000 was to bear $5\frac{1}{2}$ per cent. The Prudential Company on first negotiations wanted $5\frac{3}{4}$ per cent, but they finally agreed on $5\frac{1}{2}$ per cent. We found after we had the company formed in making this loan that the taxes were going to be so high; we were going to have to pay taxes for registering this loan of 700,000; we were going to have to pay certain taxes in connection with all the rentals that came in which were enormous; the rate of exchange on Pounds dropped, and we had to make that loan in London in Pounds, and I made up my mind that inasmuch as the Dominion Government was practically behind this, it was foolish for us to pay all this; it was better for us to go to the Government asking for an appropriation to pay in the ordinary way on our ordinary notes, which we would give the Government. So I did not complete the transaction. I returned to Canada, and after consultation with the Chairman and officers of the company it was agreed that was the proper thing to do, and we took the matter up with the Government and the Government agreed to that, for that reason you will notice in the return in December we had things practically finished, and Mr. Graham was returning from England, and I took the matter up with him and everything was arranged, and an Order-in-Council was put through for a loan from the Prudential Company, but that was cancelled, and the Government agreed with me and advanced the money that was required to pay this for the necessary repairs and alterations. I think briefly that is the story.

The CHAIRMAN: Will any further capital expenditures be required?

Major BELL: Yes, there will be the capital expenditures in connection with the repairs to the building. I may say, we have a wonderful building there; I do not think that anybody who has seen it will fail to agree that it is the finest site in Paris, and that means the finest site on the Continent of Europe. I do not think there is anything to beat it. It is a magnificent building. Before I left we had three banks negotiating to get part of the ground floor. I thought we could cut our own space down to permit a bank getting in there. Two prominent Canadian banks and a French bank have been negotiating. These negotiations were not finished when I left, and I do not know whether they are closed now or not.

Mr. STORK: What is the size of the building?

Major BELL: I have it in meters, and I asked today to have that transferred into feet. I will get it for you. There is a basement under the whole building; there is the ground floor; the next floor was occupied by the Jockey Club, with three floors above that, and a half-storey above that; what we would say in Canada, five and a half storeys and the basement. The measurements are 126,994 square feet. The frontage on the Boulevard de Capucine, 105 feet; on the Rue Scribe, $180\frac{1}{2}$ feet. It is one of the finest buildings in Paris. Of course, the finishing inside has to be remodelled.

14-15 GEORGE V, A. 1924

Sir HENRY DRAYTON: Those are the measurements, changing the meters into feet.

MAJOR BELL: Yes. Before I left we had arranged with architects and builders. The builders whom we picked were picked on the recommendation of the President of the Bank of France and the Manager of the Bank of Montreal. I think that probably he was one of the most reliable contractors, or a member of one of the most reliable contracting firms in Paris. The architect was picked on the recommendation and endorsement of the President of the Bank of France. Any of the men we secured were had on the very highest recommendations from the very best sources we could get, and I think everything is on the way to finish a most magnificent building. We estimate that when that building is finished and ready for occupancy—my idea being offices—that it, including what the Government will use paying the same price as other tenants, and the railway going in and paying the same price, will pay at least 6 per cent on our investment, and probably a small amount to wipe out the capital.

Mr. DRUMMOND: What will the revenue be to the railway company outside of the space they occupy?

MAJOR BELL: I think the President would be able to tell you more about that than I can. The policy was to go into Paris, which is the gateway of the Continent. I think everybody will acknowledge that nobody goes to the Continent who does not finally pass through Paris. I know there has been criticism that our boats do not run to Paris, for practically everybody passes through there, and is ticketed through Paris. There is an opening for a huge express money order business. While there is not a large emigration from France—I think it is discouraged by the French Government—still Paris is a gateway for bringing them through from Continental Europe.

Sir HENRY DRAYTON: You have not said what the alterations will cost.

MAJOR BELL: The alterations I think, Sir Henry (Drayton) will be about \$500,000 or \$600,000. I think that is a fairly rough estimate.

The CHAIRMAN: Any taxes on that?

MAJOR BELL: No, not on the alterations.

Mr. STEWART: That is in dollars, not francs?

MAJOR BELL: Dollars, not francs. It will depend, Sir Henry (Drayton), as a credit on the account. It was not quite decided as to whether we should finish the offices ourselves, or have lofts in which the tenants would do the partitioning themselves.

Mr. HARRIS: Do I understand, Sir Henry (Thornton), that we have a working arrangement with the White Star Line and the Cunard Line to get their business at this end?

The WITNESS: Not all of their business. We have a reciprocal passenger and freight arrangement with both of these companies.

By Mr. Harris:

Q. Do we actually get a major portion of this business?—A. Yes, particularly with respect to the White Star Line.

Q. And what portion of the Cunard Line's business?—A. I cannot answer that offhand, but we get a fair proportion of their business. We have had better results from the White Star than from the Cunard Line.

Q. You intimated to the Committee that one of the features—perhaps the major feature—which led you to adopt certain policies on the Continent, was the tourist traffic?—A. Tourist, express business and freight. One would not say it was exclusively tourist.

[Sir Henry Thornton.]

APPENDIX No. 5

By Sir Henry Drayton:

Q. The returns which you brought down, Sir Henry,—were they complete?
—A. Yes, to the best of my knowledge.

Q. Then, referring to the return, assuming that return to be complete, I take it that no action was taken by the Board at all until after Major Bell came back?—A. That is correct; no formal action.

Q. I have been told—I do not know whether it is true or not; you can verify it very easily—that this matter at the time it became public in the House last year had never been before the Board at all? I mean the Scribe Hotel.

MAJOR BELL: Perhaps, Sir Henry (Thornton), I can explain that. Sir Henry (Drayton), long before this matter came up at all—

SIR HENRY DRAYTON: I think I would rather get this information from the gentleman who has had the most to do with it, and then we can try to straighten it out afterwards.

Now, I was told—and I say I do not know whether it is true or not—that at the time it came up in the House (and Major Bell's interruption is perfectly in order if the date I have given is wrong)—I said it was in June last—that up to that time the Canadian National Board, as such, knew nothing about the Hotel Scribe.

The WITNESS: That is correct.

Q. Then the return is all right in that respect. Now, another question, Sir Henry. The communication from Roy, I suppose, correctly sets out how the matter stands between you and Mr. Roy?—A. That is correct.

Q. He gives no estimate of value at all in that correspondence. You therefore had to accept, or rather you had no statement from Mr. Roy as to the value of that at all?—A. That is right.

Q. Now, I cannot find any other valuation in that return, or rather I cannot find any valuation on it at all. Was there ever a valuation made of the property, for purchase?—A. In other words, your question would be perhaps put his way, if I might say so: what reason had I to suppose that the purchase price proposed was a suitable price?

Q. No, I am asking you a plain and simple question. I am just asking this; the return shows no valuation at all. You have told me the return is correct and complete. If the return is complete, no valuation of that property was made before purchase or indeed after purchase, because we have not any yet.—A. There is in the return no statement from any one with respect to the value of the property, but before proceeding I took such steps privately, for my own information, as I thought necessary to determine whether that was a suitable price or not.

Q. What were those steps?—A. Conversations with certain individuals whose opinion I thought would be valuable.

Q. With whom?—A. That I cannot tell you.

Q. You cannot tell me with whom?—A. No.

Q. You were in Canada all the time?—A. Yes.

Q. Now, was there anybody out here except Mr. Aronovici who was in a position to give you any information as to that value?—A. Yes, I sought and got the opinion of one gentleman who happened to be in Canada, whose opinion I thought was worth while.

Q. Who was that?—A. That I will not give you. I would rather not, because it was merely a personal opinion he expressed to me.

Q. That leaves the matter in rather an unfortunate position. You will appreciate that?—A. Yes.

Q. The way in which your evidence will stand is that so far as the evidence is concerned, the only gentleman that ever gave you any information as to this value is some unknown person we know nothing about, and the man who was

(SIR Henry Thornton.)

interested in the sale, Mr. Aronovici. I would like to see you get yourself on more sound ground.—A. I will simply say to you and make the statement that in the first place I had some knowledge of the value of Paris property myself, having been in Paris a good deal.

Q. May I interrupt you there? While you tell us that now, your letter to Mr. Roy says you had no knowledge of Parisian values, and asked for his opinion.—A. I had no technical knowledge, no knowledge such as a real estate agent would have. Every one who is familiar with any city knows in a general way whether certain values are reasonable or not.

Q. You see again I am in some difficulty. Which is correct, your statement to-day that you have a knowledge of Parisian values, or your letter to Mr. Roy in which you say you have not?—A. Every one has a general knowledge of values, but one may not have a precise knowledge.

Q. I am just asking you a simple question. Which statement do you want us to believe? We have the written statement in Mr. Roy's letter; you wrote that?—A. Yes.

Q. That you were not familiar with Parisian realty values. Then we have your statement to-day that you are familiar with these values, at least to some extent. You qualify it, it is true. Which statement do you want the committee to accept?—A. I do not think there is any conflict between the two statements. As I said before, every one who is familiar with any particular city would know whether a certain value which might be placed upon a property was badly out of line or not. What I meant to say in my letter to Mr. Roy was that I had no precise knowledge of the value of this particular property. I checked that by opinions which I secured from two or three people whose opinions I thought would be valuable.

Q. Now we are getting a little more light.—A. I might go further and say that is furthermore confirmed by the fact that we have had a recent intimation—it does not amount to an offer, and I do not put it forward as that—that this property could probably be sold for 40,000,000 francs, reserving for the railway company such space as it may require for itself, without rental. That is an indication that the purchase price that was paid of 28,000,000 francs was not excessive.

Q. I am just, at the present time, trying to find out what information you had when you made that purchase. Frankly I do not appreciate your point, that any one who knows a city knows as to relative values one way or the other. I do not think you would know very much about the values of New York property sufficiently to invest other people's money in it, or Ottawa property, or Montreal property, or Toronto property, or property anywhere else. I know I have not, and I am quite sure that any one else to whom you put that question would say the same thing. Supposing we come back to what you said in the first instance. You said you had a conversation with one gentleman of what I think you described as a personal character. Am I right in that?—A. It was not a casual conversation.

Q. What kind of a conversation was it?—A. The same kind of a conversation I might be having with you now.

Q. I see. You had it with one gentleman, and then just a few moments ago you told us you got it confirmed by two or three?—A. Yes.

Q. Which is right, one, two, or three?—A. I discussed the matter, as I told you before, with one gentleman who happened to be in Ottawa at the time and who was familiar with this property, and I particularly relied upon the opinion of a friend of mine in New York who had been for many years in business in Paris, and who had dealt in Parisian real estate, both rented and sold property, and I relied very largely on his opinion. He is an old personal friend of mine who, I am quite sure, would not in any sense deceive me and who had no particular interest in this thing one way or the other.

[Sir Henry Thorr 'on.]

APPENDIX No. 5

Q. You do not want to tell us who the gentleman was?—A. I think you will have to take my word for it, that it was a responsible person. I do not particularly care to bring him into the thing. It was an opinion given to me as a personal favour.

Q. You do not think he would be ashamed of his opinion?—A. No.

Q. What is the trouble about saying who it was?—A. I will not do it. I will tell you privately who it was after this meeting.

Q. I do not know that there is very much in a private conversation.—A. Very well, as you like.

Q. Then the New York gentleman who had knowledge of Parisian real estate, who is he?—A. That is the gentleman to whom I was referring.

Q. No, first it was Ottawa, and then New York. Is it the same man?—A. No, there were two individuals, one I talked to in Ottawa, and one in New York.

Q. So far as he was concerned, what was his business, the New York man?—A. I have just told you that was the gentleman I spoke to in New York.

Q. You have told me one you spoke to in Ottawa, and you will not give me his name.—A. No, but if you wish I will give you his name privately. I told you there was a gentleman in Ottawa and one in New York. Those are the two.

Q. We cannot get the name of the Ottawa gentleman; can we get the name of the New York gentleman?—A. No.

Q. By any chance, was the New York gentleman the man whom we were told in the House was going over, I think the next Thursday after the thing came up in the House? He was going to leave immediately for the purpose of looking after the syndicate.—A. No, it was not a syndicate.

Q. It was not the same?—A. No.

Q. Who is the gentleman whom we were told in the House was going to New York to arrange for the syndicate?—A. That I won't tell you.

Q. You won't tell us?—A. No.

Q. The information given to the House in connection with the syndicate last year; was that true or was that not true?—A. That the syndicate was about to be formed to take over the property?

Q. It went farther than that. It went to this length, as I recall it; a syndicate had been formed and a gentleman was going over from New York to complete the details?—A. Yes.

Q. Was that true or not?—A. Do you not think, Sir Henry, that you are really attacking my veracity there? I said at that time it was true. I say so now, that it is true.

The CHAIRMAN: Sir Henry (Drayton), has not Major Bell explained that?

Sir HENRY DRAYTON: I think this examination is in order.

The CHAIRMAN: I have no desire to curtail your examination.

Sir HENRY DRAYTON: If the Chairman thinks the examination should not be made, all right, but it is perfectly in order.

The CHAIRMAN: I was trying to save time, that is all.

Sir HENRY DRAYTON: The House was told last year that a syndicate was to be formed in New York; there were to be no capital charges at all; and we were told in the House this year of an English syndicate, which had fallen through. We have got some rights, and so far as the information given in the House is concerned, we have the right to believe in the word of a Cabinet Minister—

Major BELL: I think you misunderstood me—

Sir HENRY DRAYTON: One minute; the answers are there and speak for themselves. I am trying to find out where the trouble is.

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

The CHAIRMAN: There is no disposition to keep you from finding out.

The WITNESS: Sir Henry (Drayton) practically said to me, "You said something a year ago; was that a true statement then, or is it true to-day?"

Sir HENRY DRAYTON: No, I have not said that. I said was that statement given in the House last year—

The WITNESS: Of course that was a correct statement.

By Sir Henry Drayton:

Q. Who was the English syndicate who was in that?—A. That I won't tell you.

Q. That is hidden—A. No, that is not hidden.

Q. It is not disclosed; it must be hidden—A. Don't try to twist words, or play the light in such a way as to bring out an effect which is inaccurate. It was a bona fide arrangement made with the syndicate in New York to finance this arrangement through the Prudential Company of England. That arrangement, for the reasons which Major Bell has given did not materialize; the people in New York who were connected with it were thoroughly reputable people; the thing did not go through, so I do not think it would be fair, in view of that, to bring them into it at all, and I won't do it.

Q. Then it is still hidden?—A. It certainly will be hidden, as far as any information is concerned, from me.

Q. I do not see then why you object to my word. We have not that information and you frankly tell us you won't give it?—A. No. As I understand it you are asking me if it is true that the syndicate was prepared to take this over—

Q. And you say this—A. I say it is just as I said it was true a year ago; I say it is true to-day.

Q. I ask you who they were?—A. For the reasons I have given you, I won't give you their names.

Q. Then you will not object to my saying that that information is hidden from us?—A. Yes.

The CHAIRMAN: It is 1 o'clock. Do you think, Sir Henry (Drayton), that you can finish in a short time?

Sir HENRY DRAYTON: No, I think we had better adjourn.

The witness retired.

The Committee adjourned.

COMMITTEE ROOM 231,

HOUSE OF COMMONS,

FRIDAY, June 20, 1924.

The Select Standing Committee on National Railways and Shipping met at 10.30 o'clock a.m., Mr. W. D. Euler, M.P., Chairman, Presiding.

The CHAIRMAN: Gentleman, we have a quorum so we will proceed. When the Committee rose yesterday we were considering the purchase of the Paris property. We will continue with that.

Sir HENRY THORNTON, recalled.

By Sir Henry Drayton:

Q. Sir Henry, when was it that Mr. Aronovici first came into the service?—A. Immediately following a letter that I had from Mr. Roy, I think. He refers to him in this letter.

[Sir Henry Thornton.]

APPENDIX No. 5

Q. I want to be absolutely fair with you, Sir Henry. I do not want you to get yourself in a hole where you are contradicted by the documents?—A. I am speaking from memory.

Q. I am going to the documents?—A. Please do.

Q. There was an answer filed in the House in answer to a question of my own—although it does not make any difference whose question it was—showing that Mr. Aronovici was paid \$5,625 for services for December, 1922, January, February, March, and half of April, 1923?—A. That is right.

Q. That would have him engaged some time in December?—A. I thought you were referring to his relationship with the Paris property?

Q. No, I was referring to the company?—A. I think it was in December.

Q. So he was engaged in December?—A. Yes.

Q. What was he engaged to do in December?—A. I asked him to make a general investigation of European—particularly Continental traffic conditions with respect to our own traffic and the proportion of European traffic we might reasonably expect to get, and also to report on the possibilities of emigration to Canada from various countries, and particularly from south-eastern Europe.

Q. Then he was asked later on to take charge of the office, apparently. When would that be?—A. That, I think, was in April. That is to say he was appointed General Continental Agent, I think, in April.

Q. I see that he apparently called on Mr. Roy, or at any rate he got in touch with him, and in Mr. Roy's letter to you of March 9th, he says: "Mr. Aronovici tells me you have asked him to take over your office in Paris"...—A. May I interrupt you there to say that is not an accurate statement. I do not know why Mr. Aronovici said that whether that was a misunderstanding as to what he said to Mr. Roy, or what it was, but I do know that at that time Mr. Aronovici had not been appointed our General Continental Agent, and I had had no conversation with him to that effect.

Q. I think that would be so...—A. That is inaccurate.

Q. —because the answer shows that he was down on some kind of a temporary engagement until the first half of April, 1923, when he got paid that \$5,625, and was then on regular employment from April 15th?—A. That is right.

Q. At \$15,000 a year?—A. Yes.

Q. So Aronovici is wrong or Roy is wrong—A. I do not know whether anybody is wrong or not, apparently there may have been a misunderstanding.

Q. Apparently something is wrong, from the files, and I want to get this thing straight?—A. That is right.

Q. When did Aronovici come out to Canada?—A. I am speaking from memory, but I think he arrived here the last few days in March; it was approximately the 1st of April.

By Mr. Kyte:

Q. That is 1923?—A. Yes.

By Sir Henry Drayton:

Q. How was it he came out? Did you write to him to come, or cable him to come?—A. No. This came about in this way: He evidently had had some conversation with Mr. Roy, and the first I heard of it was that he had either obtained or could obtain the option on this property, and he communicated with me and I told him to come out, and we would discuss the matter here. My recollection is that it was sometime approximating the 1st of April. That may be a few days late.

Q. I point out to you that I do not find that letter in the files?—A. No, you would not.

Q. I thought the file was complete?—A. Complete, excepting the confidential and personal information that passed between myself and others. That was merely a telegram...

Q. Would that be regarded as private and confidential?—A. If you like.

Q. It is for you to say?—A. No.

Q. It is not on the file and the only reason for keeping anything off of the file is that it is private and confidential?—A. Presumably that would be it.

Q. I don't know "presumably"; it is for you to say?—A. I have nothing to add; it is relatively unimportant.

Q. We may find it important?—A. You may.

Q. He came out here at any rate about the first of April?—A. Yes.

Q. When did you first see the option?—A. I think it was shortly after his arrival, which would be about that time.

Q. Who gave the option?—A. The option was obtained from the owners of the property.

Q. Who were they?—A. I cannot tell you offhand. (To Major Bell) Major, do you know the precise owners of the property?

MAJOR BELL: I have not had occasion to inquire. I heard casually it was some estate.

The WITNESS: I can give that to you.

By Sir Henry Drayton:

Q. Perhaps I could give it to you?—A. I would be glad if you would.

Q. No, I have not brought that down. It appeared in a French newspaper—

Major BELL: I think that is right.

By Sir Henry Drayton:

Q. I have a clipping of a newspaper upstairs, but I stupidly overlooked bringing it down. It is a French newspaper giving the name of the society, and also certain allegations regarding some 55,000 shares of stock which they thought should be accounted for, but, at any rate, you cannot tell me definitely what the name was, now?—A. (No response).

Q. Where is that option?—A. I do not know. I think probably Mr. Aronovici has it.

Q. We have not that in the file either?—A. No. I never had that.

Q. You did not obtain a copy of it?—A. No.

Q. Then, I observe also that the title deeds are not on the file at all. We have nothing here showing either from whom we got title or what the title is?—A. There is nothing in that file with respect to the title deeds, but we can tell you the name of the owner of the property.

Q. We have that?—A. That can be easily obtained.

Q. The present owner of the property is your organized company?—A. All the title deeds and papers which would affect it, I take it, are in Mr. Archibald's office. (To Major Bell): Is that so, Major?

Major BELL: Yes. I must take the blame for that. We can obtain these papers, but I thought it undesirable to delay matters in getting them from Paris. It is a straight transfer to Aronovici, and from Aronovici to the company.

By Sir Henry Drayton:

Q. Then, Sir Henry, we have Aronovici here on April 1st. How long did he stay here?—A. I think about a month, as I remember it.

Q. When he left, did you give him any instruction?—A. Yes, he was instructed to at once complete the arrangements for taking over the property in accordance with what has already been made public.

Q. So he got his definite instructions to close?—A. Yes.

Q. Was that about the first of May?—A. Either that, or perhaps a little before that.

APPENDIX No. 5

Q. I do not think it could have been very much before, because your letter, I suppose, was the basis of the instructions?—A. Yes. The date of that letter will probably show.

Q. It is April 30th?—A. That would be about right.

Q. Then this letter of April 30th is signed by you?—A. Yes.

Q. I take it it is entirely your letter?—A. Yes. I think that letter was drafted by Mr. Ruel. He is not here.

Q. You can be definite on that?—A. Yes.

Q. That would be rather a surprise to me, but I have no doubt you are correct?—A. We can easily bring Mr. Ruel here. Here he is now. (To Mr. Ruel): Did you draft that?

Mr. RUEL: Yes, I drafted that.

Mr. KYTE: What letter is that, Sir Henry (Drayton)?

Sir HENRY DRAYTON: That is the letter of April 30th, 1923.

By Sir Henry Drayton:

Q. Sir Henry, if you did not draft it, I suppose it is not fair to ask you about it?—A. Oh, yes, ask me anything you like about it, and I will try to answer as well as I can.

Q. What was your understanding of the arrangement as shown by that letter? What did you think you were doing?—A. I did not think I was doing anything, Sir Henry. I was positive that I was acquiring for the company a property that I wanted, under the terms which are set forth in the letter.

Q. What were those terms as you understood them?—A. They are there in the letter.

Q. I will let you have the letter. For instance, I would like you to go over that and tell me what, as you understood them, were the terms of the sinking fund?—A. The sinking fund? Is this what you refer to, Sir Henry (reading):—

“The terms of security. Interest at the rate charged us by the bank in making advances per annum, payable half-yearly out of the rental as specified below. Principal payable in 20 years, or such additional time as may be necessary to enable the sinking fund, hereinafter provided, to retire the whole indebtedness.”

That is what you refer to?

Q. Where is the sinking fund provision?—A. You will have to let me ask Mr. Ruel some questions about that, because I am not certain regarding some of these details. (To Mr. Ruel). Reference is made here to a sinking fund. Can you tell me what that is? Was that a sinking fund that was subsequently to be provided?

Mr. RUEL: I have forgotten that: “Principal repayable in 20 years, or such additional time as may be necessary to enable the sinking fund, hereinafter provided, to retire the whole indebtedness”. The sinking fund was not down there. That must have been left out—the sinking fund.

By Sir Henry Drayton:

Q. I think you require several counsel to tell you about that?—A. No, Sir Henry; that is a very clever remark—

Q. There is the document, and you can search it in vain?—A. (To Mr. Ruel). Do you know where that is?

Mr. RUEL: No, I do not. I had forgotten all about the sinking fund.

By Sir Henry Drayton:

Q. Yes, I think it was like many other things; they have been forgotten.

Mr. KYTE: Was that a complete statement?

[Sir Henry Thornton.]

Mr. RUEL: I do not remember the sinking fund being mentioned. It was a surprise to me. I had not read this letter for a long, long time, since I drafted it.

The WITNESS: My recollection of that was that in any arrangement which was made with respect to the property, other than if we took it over and paid for it ourselves, there was to be a sinking fund provided, which within a certain number of years, would amortize the capital invested.

By Sir Henry Drayton:

Q. You provide for annual payments? It is not a sinking fund at all. You provide for annual payments, and I think that is what you refer to. If you will look through it, you will find there is a minimum payment of \$25,000 per annum?—A. I think that is probably the explanation for that.

Q. Then, treating your hypothesis as correct, what was your understanding as to the number of years that was given to Aronovici to pay?—A. Those were details which were subsequently to be worked out.

Q. I would like you to point out in that document anything which reserves that. There is a document which purports to be complete?—A. It is complete, within the limitations of our ability to make it complete at the time it was signed. Necessarily in preparing any document of this sort of a transaction which we were anxious to put through as quickly as possible, lest the property get away from us, you touch upon some things, and you leave the details to be developed by the proper officers later on.

Q. Just direct your attention to what you did. I have given you the contract so you can see it. Just say what you did in connection with the payments?—A. To what payments do you refer?

Q. To the annual payments of not less than \$25,000 a year.—A. (Reading): "The principal payment: you were to pay \$25,000 per annum Canadian money on account of principal, provided that if and when the exchange between France and Canada was so improved that the franc came to par, that payments on account of principal, while the franc remains at par, should be double."

Q. That is the only thing I could find which would approximate talk of the sinking fund, and it would be improperly so named, as you will agree. If you can find anything else in that, I will be pleased to have you tell me?—A. I am afraid I do not understand what you are getting at.

Q. I am trying to find out what this document is. It is pretty hard to say. I cannot find anything there in regard to the sinking fund. I am asking you if you can. The question is perfectly plain.—A. As I explained before, this was a document in which Aronovici took over the property. It determines all the essential preliminary factors in that connection, and at that time there was a certain amount of doubt in our minds as to exactly what final disposition we were to make of the property. There were two or three things which could have been done, and which we ultimately did. We could have taken over the whole property ourselves.

Q. It is provided for in that scheme?—A. Yes, or we could form a syndicate and finance outside with the understanding that such part of the property as we desired should be reserved for our uses, and the rest should be rented or otherwise disposed of by the syndicate, and none of these details were determined, and necessarily, any preliminary document had to leave open entirely the consideration of further details.

Q. The document was drawn. It does not show all that you tell us. Let us stick to the document, which I suppose meant something; it ought to. There is a lot of money depending upon it. I will ask you this again—I have been unable to find the provision referred to in regard to the sinking fund. I cannot find them, can you?—A. No, they are not here for the reason I have given. It says, "For the sinking fund to be hereinafter provided."

[Sir Henry Thornton.]

APPENDIX No. 5

Q. It is perfectly plain what the words mean. I suppose you meant what you signed?—A. Obviously.

Q. Then we will have to stick to the written word. Now this \$25,000 a year: Do you realize that would mean this thing could be kept on with payments of \$25,000 a year?—A. I don't quite get that.

Q. Do you realize the principal was to be repaid by Aronovici at \$25,000 a year, and do you realize the length of time that would take, that it would give him one hundred years in which to pay for that property?—A. We had, in this document, the privilege of taking it over within five years ourselves. That was precisely what I had in my mind at that time.

Q. But you had to give him a bonus of 10 per cent if you took it over then, and later on you would take it over and give him a bonus of 20 per cent?—A. That is right.

Q. Is that all you can tell me about the letter? Is there anything else you wish to say?—A. No. I have answered your questions to the best of my ability.

Q. I am giving you the opportunity of saying anything you like about that letter—any explanation you like, Sir Henry?—A. I do not think there is any further explanation to be given, excepting this; that we were anxious to secure this property. I have already explained the advantages of the property and the uses to which it was to be put. It was the intention, in this document, that Aronovici should acquire the property in his name, in order that subsequently we might rapidly make any disposition of it we wanted to. Furthermore, at that particular time I did not want it to be known that the company owned the property, as we would have had trouble in dispossessing the tenants and making other arrangements for the property, and this document contemplated that, and nothing else.

Q. Then, on the 30th of April we have got this settled, but I notice looking at the file in further instruction to Aronovici, he had been paid \$200,000 to enable him to bind the bargain. You remember that?—A. Yes.

Q. When was that payment made, and how?—A. I cannot tell you the exact date; it must have been about the time of the signing of that letter, or shortly thereafter, and it was as I remember it, by funds that were cabled to Morgan Hodgins' bank in Paris. (To Mr. Ruel) Is that right?

Mr. RUEL: I am not sure.

Major BELL: Drafts were purchased on the Bank of Montreal and transferred to Morgan Hodgins' bank in Paris to the credit of Mr. Aronovici.

Sir HENRY DRAYTON: How was that done? Where did the money come from?

Major BELL: From the general funds of the railway.

Mr. STORK: What was the amount?

Major BELL: \$200,000.

By Sir Henry Drayton:

Q. How was that payment vouchered?—A. In the usual way.

Q. What is the usual way?—A. A voucher passed by the appropriate officer.

Q. Who would that be in this case?—A. Signed by myself and sent to the Treasury Department for payment.

Q. Who was the appropriate officer in this case?—A. I was. My recollection is that I signed it. (To Major Bell): Did I not, Major?

Major BELL: No, sir. On instructions from you to me I signed that.

[Sir Henry Thornton.]

By Sir Henry Drayton:

Q. Of course, at that time. We already have it, the Board knew nothing about it?—A. That is quite true.

Q. At the last session of the House, the Hon. Minister of Railways told the House on the 7th of June—and I was right about the date yesterday, in saying June—“That one of the Canadian National deposits was placed in the bank and remained there until such time as the building was taken over,” and I asked him, “Well, that is better. So that \$2,000,000 in cash of the railway was applied to that purpose?” and Mr. Graham said, “To the bank,” and I said, “\$2,000,000 cash of the railway’s was deposited in a bank,” and Mr. Graham said, “Yes.” And later on, I said, “My hon. friend will agree with me that this is playing with words. What happens is this: The sum of \$2,000,000 of the funds of the Canadian National Railways is deposited in a bank for a specific purpose, namely, to enable somebody else in Paris to get \$2,000,000 from that same bank. Now, is that wrong?”, and Mr. Graham said, “I think that is correct,” and I said, “Of course it is correct. In other words the system is paying the money to finance this deal,” and Mr. Graham said “Yes.” Now, Sir Henry, is that correct?—A. Yes.

Q. Well, Sir Henry, how do you reconcile that statement with your letter to the Bank of Toronto, which says that instead of making a deposit of \$2,000,000, the deposit was \$2,608,330? How do you reconcile your statement of to-day with your letter of May 25 to Mr. Carson, Manager of the Bank of Toronto?—A. Would you be so kind as to read my letter of May 25? I don’t quite remember the terminology?

Q. With pleasure:

“In connection with the advance made by your bank of 36,232,161 French francs (\$2,608,330), to Arnold Aronovici, for which his note has been issued payable on demand at 6 per cent, funds have been deposited by the Canadian National Railways in a special account in the Montreal branch of the Bank of Toronto in the sum of \$2,608,330.

“This money is not to be withdrawn from the Bank of Toronto until the note and interest thereon is paid. You are authorized at any time to call for the payment of the said advance with interest after giving the General Treasurer of the Canadian National Railways five days’ notice of your purpose so to do and if the principal of the said note is defaulted, you are empowered to apply the deposit to the liquidation of the defaulted principal. Any failure to pay the interest on the note is to be brought to our attention, but no part of the deposit is to be used for the discharge of indebtedness.”

The WITNESS: What was the date of Mr. Graham’s remarks in the House?

Sir HENRY DRAYTON: The 7th of June.

The CHAIRMAN: I am informed that the information with regard to that was given to Mr. Graham by Major Bell, and that Sir Henry (Thornton) had nothing to do with conveying that information to Mr. Graham, so any discrepancies that might appear would not come within the knowledge of Sir Henry (Thornton).

Sir HENRY DRAYTON: Speaking in the very kindest spirit, I do not know as that interpolation has anything to do with the correctness of Sir Henry Thornton’s memory.

The CHAIRMAN: I am trying to get at the facts, speaking in the kindest way also.

Sir HENRY DRAYTON: He made his statement only a few moments ago that the answer given in the House, and which the House accepted, was that there was a deposit of \$2,000,000, and this morning his letter shows that instead of

[Sir Henry Thornton.]

APPENDIX No. 5

being a deposit of \$2,000,000, the deposit was \$2,608,330. One surely has the right to test the memory, at least, of a witness, and that is what I am doing.

The CHAIRMAN: No doubt his answer was substantially correct.

Sir HENRY DRAYTON: It may be substantially correct. The Chairman may think that a matter of \$608,330 is a matter of no moment—

The CHAIRMAN: Not at all.

Sir HENRY DRAYTON: —we can discuss that later on.

The CHAIRMAN: That was not my intention, to give that impression. However, go ahead with your questions.

Sir HENRY DRAYTON: I cannot see anything else to be read into the Chairman's interjection.

The WITNESS: As I understand, this hinges upon a statement made by Mr. Graham in the House—

Sir HENRY DRAYTON: And I asked you if it was correct, and you said yes.

The WITNESS: I think it is. I am speaking only from memory now. My recollection of it is that any information which we gave Mr. Graham, or which he had, was at that time correct, insofar as our knowledge went. In other words, your position is that Mr. Graham made this statement that \$2,000,000 had been deposited in the Bank of Toronto, when, as a matter of fact, it was \$2,600,000. Is that it?

By Sir Henry Drayton:

Q. It is perfectly clear that the House was misled to the extent of that amount. I am not saying who was responsible for it?—A. I do not know. I cannot answer that. I do not know what went on in the House.

Q. I asked you if the statement was correct?

The CHAIRMAN: The fact is admitted that it was \$2,600,000. That should be sufficient.

Sir HENRY DRAYTON: We could have more information. The fact is there. There is his answer.

The WITNESS: There could be no intention on the part of Mr. Graham or myself to deceive the House.

Sir HENRY DRAYTON: I have taken the position from the commencement that Mr. Graham did not knowingly or willingly deceive the House. I have been perfectly frank in all these matters.

Mr. MACKINNON: What is the date of that citation from Hansard?

Sir HENRY DRAYTON: June 7th, and this letter is May 25th.

By Sir Henry Drayton:

Q. When was it that the basis of the contract with the syndicate was arranged?—A. That was arranged in this way: Prior to the closing of the option I was anxious to find out whether it would be possible to finance the acquisition of the property through an outside syndicate and I took that up with a friend of mine in New York to see whether such an arrangement would probably be made, and he assured me that he thought there would be no difficulty in connection with it. The details as to who was to furnish the money, and how it was to be arranged was subsequently determined.

Q. When was that determined?—A. That was determined—(To Major Bell)—shortly after you went to France, was it not, Major, that you entered into negotiations with the Prudential?

Major BELL: The New York syndicate was in April, 1923, and when I went to France I met two of them there, and then dealt with the Prudential.

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

The WITNESS: (To Major Bell) Would the answer to Sir Henry's (Drayton) question be the latter part of April?

Major BELL: The latter part of April or the first part of May—about that time.

Sir HENRY DRAYTON: So then, do I understand it that the details about the syndicate were arranged the latter part of April? That is, in New York.

The WITNESS: Only in a general way. The details were perfected in Europe, and that was one of the things for which Major Bell went over.

By Sir Henry Drayton:

Q. We were told during the last session of the House that a syndicate had been formed, the details had been arranged, and that a gentleman was going to leave very shortly from New York for the purpose of putting the matter through or something to that effect. Is that correct? Had the details been arranged on June 7th, or before June 7th?—A. The principal details had been arranged. There were some subsequent details which were left open, as to how the property was to be transferred.

Q. Had it been reduced to writing?—A. Had the details of the syndicate been reduced to writing?

Q. Yes?—A. No. It had been discussed and the principal outlines had been determined.

Q. So there was nothing reduced to writing at that time?—A. (No response).

Q. And you had your understanding, and were relying on your understanding, I suppose?—A. Precisely.

Q. That this syndicate would go through?—A. Precisely.

Q. So you were in that position on the 30th of April, that this arrangement, which was more or less definite, but not reduced to writing— —A. That is correct.

Q. —would go through?—A. Yes.

Q. Then, I take it, your knowledge of the merits of the transaction was entirely confined to what you have already told us. Can you think to-day of any further information you got as to values, or anything of that kind?—A. Nothing other than I have given you.

Q. You told us there were responsible parties in connection with the syndicate? In your statement here you said the syndicate was to take it over, and you had assurances from responsible people. Do you object to giving the names of these people?—A. Yes, I do, because the syndicate did not come off. I think I can say to you—and I would ask this to be treated with reasonable confidence; I suppose you would have no objection to that, Sir Henry, if I made a statement to that effect—

Q. I don't know if we should have anything confidential in looking into a matter of this kind?—A. No, except that the syndicate did not come off. It was with a banking firm in New York who were acting for us, and the name of the banking firm was Whitewells and Company.

Q. Can you produce any correspondence with them?—A. No, it was handled entirely by conversation.

Q. Did they come up here or did you go down there?—A. I went down there.

Q. So you cannot produce any records of any kind about that?—A. No.

Q. You have already told me as to the Board. When was it you first advised the Government, or any member of the Government as to your action?—A. What was the date, Sir Henry, of the signing of the letter there to which you referred, about sinking fund, and payments and so on?

Q. That letter of contract is the 30th of April.—A. The 30th of April?

Q. Yes?—A. Well, speaking approximately, I should think it would be

[Sir Henry Thornton.]

APPENDIX No. 5

about a week or so in advance of that. (To Major Bell): Am I right in that statement, Major? Is that approximately right?

Major BELL: When the Government first knew about it?

The WITNESS: Yes.

Major BELL: It was about two weeks before.

The WITNESS: It was about two weeks before.

Sir HENRY DRAYTON: About two weeks before the 30th of April?

The WITNESS: That is as near as I can remember it. I do not think I am very many days out in that.

By Sir Henry Drayton:

Q. Could you say definitely that was before that letter was signed?—A. Yes, it was.

Q. Whom did you tell? Whom did you see? Whom did you advise? Because I do not find it in writing here?—A. No, it is not in writing.

Q. Whom did you advise?—A. I have to rely somewhat on the information that Major Bell can give me,—

Major BELL: I did not get that question.

The WITNESS (to Major Bell): Did I talk to Mr. Graham about it?

Major BELL: No, I think what took place——

Sir HENRY DRAYTON: I would prefer——

The WITNESS: One minute——

Sir HENRY DRAYTON: If you cannot tell me, I am content to leave it that way—

The WITNESS: Unless I have the privilege of refreshing my memory, Sir Henry, on some things that happened over a year ago, by asking those who were in the service of the company what their recollection is, then I am being denied, I think, a reasonable privilege. I cannot carry all the details in my head.

Sir HENRY DRAYTON: It is not a detail; it is a matter, rather, of importance, when you told the Government you were contemplating this purchase.

The WITNESS (to Major Bell): It was about a week in advance?

Major BELL: It would be immediately after the Board meeting when you brought up the general question before the Board. I believe it was a week or 10 days after that. It was some time after it was discussed by the Board that you discussed it with the Prime Minister.

The WITNESS: Yes, I mentioned it to the Prime Minister.

By Sir Henry Drayton:

Q. Oh, it was the Prime Minister who knew about it. After talking with Major Bell, can you give me the date any better?—A. Approximately a week in advance of the signing of that contract.

Q. Major Bell said something about a Board. I don't understand what that is; whether he can reinforce your memory there or not?—A. The conversation with the Prime Minister was entirely informal. I discussed the matter with him and mentioned the matter to him, as I probably mentioned many things.

Q. What did he say?—A. I explained to him what we proposed to do, and he said he saw no objection.

Q. You told him you were going to buy a property for 28,000,000 francs——
A. I told him what we intended to do, in a general way; I do not think I gave him any details, because the details at that time, as I remember, were not perfected. It was a sort of informal information with respect to the general matter of policy.

Q. We have the details all set out on the 30th to the fullest extent we can get them—on the 30th of April. Is it your evidence that you did not have those details at the time you saw the Prime Minister?—A. That is right.

Q. So the substance of it all is that you had a general talk with the Premier, and so far as he was concerned, he saw no objection to your going ahead and buying the building?—A. In so far as the question of policy went; but it was not even with respect to the details, because I was not in a position to tell him what the details were.

Q. So he knew nothing about the matter involved at that time?—A. That is right.

Q. Is it a fact that the Premier then came into this matter approximately a week before the 30th of April? What other members of the Government did you see?—A. I am not sure whether I talked to Mr. Graham in regard to that or not. I think I probably did. (To Mr. Bell): Do you know whether I did or not?

Major BELL: That was later on.

Sir HENRY DRAYTON: How much later?

The WITNESS: I don't know; I don't remember.

By Sir Henry Drayton:

Q. Was it before or after your letter of May 31st to Mr. Graham?—A. I should think it was probably after.

Q. Because, so far as this letter is concerned, it is quite obvious that if this letter is frank, that would be the first intimation Mr. Graham would get. I will read it to you and you will see if I am wrong in what I suggest to you: "For some months, the necessity for a more aggressive campaign"—A. What was the date of that letter?

Q. April 31st.

"For some months the necessity for a more aggressive campaign in Europe on the part of the Canadian National Railway System has been apparent to me if we are to get our share of the European business, and likewise develop a constructive immigration policy."

Mr. STEWART: That date is not April 31st.

Sir HENRY DRAYTON: Did I say April? I beg your pardon. May 31st.

By Sir Henry Drayton:

Q. It would seem to me that Mr. Graham knew nothing about it until he got this letter. I may be wrong.—A. I cannot answer that definitely but I think the chances are I discussed the matter with Mr. Graham, sometime prior to that, and then wrote that letter to him, which somewhat more or less represented the result of our conversation.

Q. So the writing of this letter to Mr. Graham, according to your evidence, is that it represents more or less the result of the conversation you had with him?—A. I think so, Sir Henry.

Q. Well, how definite are you in your thought? Have you any recollection about it?—A. Well, I have a recollection of discussing the matter with Mr. Graham, but how many days in advance of that letter, I do not know; I cannot remember the exact date. I talked to the Minister about so many different subjects that it is not an easy matter to recall, after a year's lapse of time the precise date at which a certain conversation which may have been more or less informal, took place—

Q. Sir Henry, this matter was ventilated very thoroughly as far as the information we had would permit almost immediately afterwards; there was a great deal said about it. It was a matter of direct importance; this is no

[Sir Henry Thornton.]

APPENDIX No. 5

mere matter of detail in connection with the running of your system. I do not think that excuse will be accepted?—A. Well, no excuse was offered; please make no mistake in that.

Q. I do not know, then, what the reasons are— —A. You are asking me on what date, prior to the letter of May 31st, I first discussed the matter with the Minister. I cannot tell you that. I do not recall it definitely.

Q. We will put it in another way, if you thought that was all I wanted. I wanted to know definitely from you whether you discussed the purchase of the Hotel Scribe with the Minister of Railways before you wrote that letter of May 31st?—A. I think I probably did.

Q. You think you probably did. We have two salient clauses; the first is the thought and the next is the probability?—A. That is right.

Q. Can you not do better than that?—A. No, I cannot.

Q. Then I am afraid we will have to go back to the records again?—A. Well, as you like.

Q. You say: "Two months ago I brought the matter to the attention of our Board of Directors, outlining in a general way what I thought should be done, and the Board expressed itself as being in accord with my views." Just at that point, in fairness to you, I should draw attention to your statement of yesterday that the Board knew nothing about this matter until it came up in the House? —A. Well, I do not remember the day it came up in the House. Probably it is a matter of record.

Q. In June of last year; I did not give you the exact date yesterday because I did not have the Hansard; I have it to-day. I think it is only fair to draw your attention to the answer you made yesterday, that this Scribe Hotel had not been brought to the attention of the Board prior to this discussion in the House in June of last year?—A. At any rate whatever that statement was, it is of record. We had a particular Board meeting, to which reference was made in the letter of May 31st. Whether that was before it came up in the House last year or not, I do not know; I cannot remember.

Q. Do you think you are doing yourself justice there?—A. I am not worried about doing myself justice.

Q. I am worried about it. I don't want the matter to go with the wrong implication. I want your own story as you yourself believe it?—A. Well, I presume from that letter which you have before you, that this matter was mentioned to the Board on the third Monday in May. (To Major Bell): Would it not be the third Monday of May?

Major BELL: Yes. The Scribe Hotel was not mentioned, it was the general policy.

The WITNESS: That would be the second Monday in May.

Major BELL: Oh, you mean when the Scribe Hotel came up. The Scribe Hotel did not come up in the Board before this matter came up in the House at all. The general policy was discussed; Sir Henry Thornton explained to the Board that he considered that we should open up an office on the continent and he discussed the various places, and we finally got down to Paris; we decided that we should have an office there in order to pursue an aggressive policy on the continent. No particular building was mentioned at that time at all, and the Board had no information at the time.

The WITNESS: I think that was on May 21st.

By Sir Henry Drayton:

Q. You discussed with the Board the advisability of opening an office in Paris?—A. And the acquisition of the necessary property in connection with it.

[Sir Henry Thornton.]

Q. Major Bell did not say that, and you are relying on his memory altogether in connection with it. Now, do you want, in view of the fact that you could not tell us about this yourself, to add to what Major Bell has said the fact that the Board authorized the purchase of property as against leasing?—A. On May 21st, at the Board meeting, the general policy of acquiring a property in Paris for the purposes named was discussed and approved.

Q. You put it now as "acquiring"?—A. I did not put it that way at all.

Q. You certainly said so a moment ago, but there is still room for change.—A. No, it is exactly as I think I put it to you, that the general policy was discussed at the May Board meeting which, if I remember rightly, would be on May 21st. That was a discussion with respect to the general policy, and the policy of acquiring suitable office quarters either by purchase or otherwise was discussed at that time. (To Major Bell) Is that right?

Major BELL: I think it was the month before, in April.

The WITNESS: We can easily refer to the minutes of the Board, and determine when it was.

Sir HENRY DRAYTON: I have the other minutes of the Board, and I cannot find any minute of the Board with the interview of which you speak. It is not here.

Major BELL: I doubt if it would be a minute of the Board.

Sir HENRY DRAYTON: I have not much doubt about it either.

Q. So the acquisition of the property, as you now put it, could either be by lease or purchase?—A. That is my recollection of the discussion.

Q. Very well, we will go on.

"There has been abundant evidence that our inactivity abroad was losing us a certain amount of business, and you may recall for example, the statement made recently on the floor of the House by an honourable member, complaining that the Canadian National Railway System was unknown in Europe.

"One of the essential implements on the solicitation of business as well as for the purpose of advertising the Dominion of Canada as a whole, is proper quarters at strategic European points. We are already properly housed in London, but we have no quarters on the continent, I therefore considered it necessary to secure offices of sufficient prominence to meet our requirements in that territory."

Mr. KYTE: What are you reading from there?

Sir HENRY DRAYTON: A letter of the 31st of May addressed to the Minister.

Q. "*Early in this month*, an opportunity developed to secure a property at the corner of Rue Scribe and the Boulevard des Capucins, close to the Place de l'Opera, and in the centre of the banking and transportation district; briefly it may be said that this location is in the very heart of the city". I think it is only fair to draw the point out that if this file is correct this letter is not true—A. In what respect?

Q. —and give you every opportunity of changing it. As a matter of fact the file says that on the 9th of April the opportunity developed to secure this property, while the letter says, "*Early in this month*" the opportunity developed. Both cannot be true.—A. I do not quite see the point.

Q. No, it is only a question of veracity, that is all; which is true? There is no point which I am making at all; I am trying to get the facts and nothing else.—A. Yes.

Q. The file says that on the 9th of April you had the opportunity to secure this property. On the 31st of May you write to this effect, "*Early in this month* the opportunity developed to secure this property". Which is true?—A. I do not think there is any conflict, unless one wants to play upon terms. The matter was first brought to my attention as has already been developed. The first oppor-

[Sir Henry Thornton.]

APPENDIX No. 5

tunity we really had to close the deal or even to discuss it in detail was when Mr. Aronovici arrived here, which I think was about the 1st of April, and you cannot say an opportunity developed until the matter was practically closed or until we had an opportunity of knowing exactly what the terms and conditions would be. When I said "Early in the month", that was only an approximation of about the time that was involved. Whether it was two weeks in advance of that, or three weeks in advance of that is unimportant.

Q. We have your cable to Philips to repeat to Roy, which is entirely different.

Mr. KYTE: What date is that cable.

Sir HENRY DRAYTON: April 9th.

Q. However, the use of one month as against the other is merely a term, as I understand you.—A. In a general way that is a correct statement.

Q. Any way you like to put it. If the name of a month makes no difference to you, that is for you to say. "Immediate action was necessary, as I had information from authentic sources that other interests were considering the property." What other interests?—A. I understand there were two, which were not named to me, important United States New York banking institutions who had it in mind.

Q. Who told you that?—A. A friend of mine who was familiar with the position and who gave me the information.

Q. Have you any objection to stating his name?—A. I will not, for the reasons already given.

Q. You have refused but given no reason for refusing as I remember.—A. I think he is available, and I will ask him if he has any objection to my giving his name. If he says he has not, I will do so.

Q. I cannot think why he should have any objection.—A. That may be, but at the same time, when people give you confidential information you are not at liberty to divulge that information or their names without their permission. That is a recognized practice all over the world.

Q. Did he give you this confidentially?—A. Quite.

Q. Was this the friend who told you about Paris values?—A. Yes, one of them.

Q. There was one in Ottawa and the other in New York?—A. Yes, the one in Ottawa.

Q. Is this the one in Ottawa?—A. Yes.

Q. "Accordingly, I immediately arranged that an agent should purchase the property, and employed the support of the Canadian National Railway System in arranging suitable temporary financial credit. *The deal was immediately consummated*, and simultaneously negotiations were entered into with a responsible syndicate—". As a matter of fact, the deal was consummated just a few days before that letter was written, was it not?—A. Well, no. The deal was consummated as of the date of the letter of contract with Aronovici. I think that was April 30th.

Q. Your letter to the Bank of Toronto is dated May 25th.—A. Whatever that date was.

Q. It would have to be after May 25th?—A. That the deal was finally consummated and the money paid?

Q. Yes.—A. Yes, technically that is correct.

Q. Not technically, but truthfully.—A. When you say a deal is consummated, it depends upon the payment of certain sums, and these sums may not be paid until two weeks or thirty days after the deal is made, and it is a question whether you consider the deal consummated when you make your arrangement, or when the money is paid over.

[Sir Henry Thornton.]

Q. If you had entered into a binding agreement with the owners that is quite right, but we have not got that. We have not any evidence of that.—A. You have the letter to Aronovici.

Q. He was not the owner.—A. No, but he controlled the option, which is the same thing.

Q. "The deal was immediately consummated, and simultaneously negotiations were entered into with a responsible syndicate not connected with the Canadian National System, for the purpose of taking over the property, and with a view to our becoming tenants. These arrangements have now been completed, and the syndicate has agreed to take over the property subject to certain details." What were the details left open?—A. As to the form of debentures, signing the various legal documents, the arrangements with respect to taxes, the formation of a company to act in the name of the syndicate, and a lot of things of that sort.

Q. Can you think of anything else? That sounds a lot—A. No, I think that is sufficient to indicate there were further details.

Q. You say, "a lot of things of that sort." I would like the list.—A. If you put the question that way, I will answer it by saying I have given you substantially an indication of what the list of details would be.

Q. "This arrangement now being completed—". Do you think it is fair to say that, when you have as many details open as that?—A. Yes, I think it is fair to say that; if you have settled the general principles of any proposition you can consider the proposition closed.

Q. Well, sometimes you take chances in such a thing?—A. We must always take chances in this world.

Q. Now, Sir Henry, you have already told me you do not know who the owners were. Have you followed the French press at all?—A. In a general way.

Q. Have you followed the charges in the French press to the effect that there is something very very mysterious and wrong about this deal?—A. Yes.

MR. KYTE: I would hardly think, Mr. Chairman, that that should go down in the minutes. We do not know anything about the French press. Sir Henry Drayton has made a statement from the information he has obtained from reading French newspapers. Sir Henry Thornton has no knowledge of them, and I hardly think that should be taken down into the record.

SIR HENRY DRAYTON: Sir Henry Thornton has already said he knew of these statements.

THE WITNESS: Yes, and I will be glad to tell you something about them, too.

By the Chairman:

Q. Do you wish to answer that question?—A. Yes, I do.

MR. STEWART: For the benefit of the Committee, I think Sir Henry Drayton ought to tell us what he is talking about, before Sir Henry Thornton answers him. We are in the dark as to these statements.

THE CHAIRMAN: Perhaps that is correct.

SIR HENRY DRAYTON: I have asked a question as to whether the President knows about these statements appearing in the press, that there was something wrong in connection with the purchase of this Hotel Scribe. I would sooner take Sir Henry's opinion about it.

By the Chairman:

Q. Do you care to answer that question?—A. Yes, I do. There are in Paris certain so-called newspapers which consist of an enterprising individual and a typewriter. These publications from time to time undertake to blackmail reputable business men.

[Sir Henry Thornton.]

APPENDIX No. 5

By Mr. Kyte:

Q. Something like *The Axe* in Montreal?—A. I should not go that far, nor have I any desire to discuss *The Axe* nor *The Hook* nor any of these things with which we are all familiar. They make a practice, and their usual practice is this. They will call upon some reputable business man or some company, and they will intimate to him that they have certain information. Whether it is accurate or inaccurate is relatively unimportant, except that it is generally inaccurate. They say, "If you could find it convenient to make a certain contribution to our newspaper, we would find it equally convenient not to publish the article in question." Sometimes there is a practice gallop or a practice canter in advance, in which they will put out something that is not very definite, but is intended to be indicative of what they will do to you in the next issue if you do not "come across." Now, in this particular instance that newspaper—and I have forgotten the name at the moment—

By Sir Henry Drayton:

Q. Is it not "*L'Amerique Latine*"?—A. I do not remember the name, but I can probably find out. At any rate, a certain so-called newspaper in Paris tried it on with me, and they published the article in question. Not only was it a scurrilous article, but it referred also to the brother of a dear old friend of mine, one of my best friends, who is now dead, having died as a result of his efforts in the war. This article was published for the attempted purpose of trying to get us into the payment of blackmail. I reported the matter to Mr. Archibald, our Attorney in Paris, and he said, "Pay no attention to it. If you ever deal with these people in any way or recognize them even to the extent of talking to them, then you have opened the door to all sorts of complications." As far as this particular article is concerned in this particular newspaper he said, "We all understand the position. It is a thing to which every business man in Paris is from time to time subjected," and he said, "My advice to you is to pay no attention to it whatever."

Q. Do you remember the name of it?—A. No, but I can get it for you.

MAJOR BELL: I saw the article and talked it over with Mr. Archibald. It is one of these papers that is here to-day and gone to-morrow.

By Sir Henry Drayton:

Q. That is not the paper I am talking about; I will have to get you the article. That is all you know about it?—A. I treated the thing with all the contempt which I thought it merited, on the advice of our lawyer in Paris.

Q. Then I think you did know about the taxes and that sort of thing, on April 30th, did you not?—A. The approximate extent, probably. I do not know that I can answer that question precisely in that form.

Q. We will turn up the letter and see. You say in your letter of April 30, "12 per cent of this amount payable to the Government of France". That was right, because that would be 3,600,000 francs, so your information was correct there. Do you remember what the taxes were that were paid in that originally?

MAJOR BELL: It is on file there, Sir Henry.

MR. KYTE: You gave that information yesterday, did you not?

MAJOR BELL: Yes. The purchase price of the property was 28,000,000 francs, the actual amount paid, and the registration fee on that was 3,360,000 francs, as established by the documents.

SIR HENRY DRAYTON: Was there not something paid for the mortgage also?

MAJOR BELL: Yes, for the mortgage, 750,000 francs. That was a separate tax.

SIR HENRY DRAYTON: What were the Government taxes paid in connection with the transfer from Aronovici to the company?

[Sir Henry Thornton.]

Major BELL: I think I gave that to you yesterday: I did not give you the amounts, because I did not have them. I think it is something in the neighbourhood of one per cent; it may be a little over or a little under.

Sir HENRY DRAYTON: One per cent as against three per cent? You did not give it yesterday.

Major BELL: I referred to it, and told you I could not give the exact figures. That is the reason we formed the company; Aronovici signed off the shares as soon as that was done.

Mr. STEWART: Was that included in the 1,370,000 francs?

Major BELL: No, we would take care of that after.

By Sir Henry Drayton:

Q. Were there any other members of the Government or members of Parliament with whom you discussed this, besides the Premier and the Minister of Railways?—A. No.

Q. That is all?—A. Yes.

Q. Have you anything in writing from Mr. Ruel as to the legality of this matter?—A. I do not think we have. I think Mr. Ruel simply gave me his opinion verbally.

Q. What was the date you brought Mr. Ruel into this?—A. Oh, immediately we began discussing the matter with Aronovici.

Q. So he was in it from the start?—A. Yes.

Q. What date did you bring Major Bell into it?—A. I think about the same time.

Major BELL: The day I signed the \$200,000 advance. That was the first I heard of it. That is, this particular property; I know the general scheme.

Sir HENRY DRAYTON: The time the advance of \$200,000 was made. We did not get the date of that, did we?—A. Can you fix the date of that at all, Major?

Mr. KYTE: Was that not in the statement yesterday, also?

Major BELL: It would be some time in May, I imagine, would it not?

The WITNESS: I think it would be before that.

Major BELL: It is a matter of record, when that \$200,000 was advanced.

Sir HENRY DRAYTON: It is not set up in the account of payments.

Major BELL: It would be about the time that letter was signed, about the same date.

Sir HENRY DRAYTON: April 30th?

Major BELL: Yes.

By Sir Henry Drayton:

Q. I will go and get that article for you, Sir Henry.—A. I wish you would. I might say there has been not only an article in the paper I referred to, but there have been a certain number of articles which were all prompted by nefarious purposes.

Q. Now tell me the date of Aronovici's option?—A. No, I do not think I can. I might be able to get it, but I do not remember.

Q. I suppose Mr. Archibald has that option; he would naturally take it over in getting the title?

Major BELL: I do not think he would have it.

Sir HENRY DRAYTON: Well, I will get that article, because it is only fair to let you see it.

The CHAIRMAN: Have you finished?

Sir HENRY DRAYTON: Yes, with the exception of that one thing.

[Sir Henry Thornton.]

APPENDIX No. 5

By Mr. Kyte:

Q. I have just two or three questions. What position did you occupy in railway management before going to England Sir Henry?—A. I was General Superintendent of the Long Island Railroad, which was owned by the Pennsylvania.

Q. For how long a period?—A. Three years.

Q. And you went to England when?—A. Early in April, 1914.

Q. What position did you hold there?—A. General Manager of the Great Eastern Railway.

Q. For how long?—A. Until I came here in December, 1922.

Q. In your experience, you are familiar with the way in which large corporations acquire property?—A. Yes.

Q. While you were General Manager of the Great Eastern Railway, did it become necessary for you to acquire property?—A. Oh, yes.

Q. In what respect was it acquired by you, in what manner?—A. It would depend a good deal on the character of the property, and the circumstances under which its acquisition was accomplished. Sometimes the Chairman and myself would decide that a certain property was essential for the welfare of the company, and if the circumstances justified it that property was acquired, and a subsequent report made to the Board.

Q. That property was acquired without reference to the Board of Directors in the first instance?—A. Yes.

Sir HENRY DRAYTON: That entirely depends on the bylaws of the company, and the objects of the purchase.

By Mr. Kyte:

Q. Could you state generally the reasons why purchases for large corporations should be made in that way?—A. Sometimes there is certain property to be acquired which is difficult of acquisition, and should the name of the purchaser be publicly known in advance of the acquisition of the property, the price would be considerably advanced, and therefore it is not an unusual practice for railway companies and large business institutions, in the acquisition of property to acquire it without reporting to the Board for approval.

Q. Did you follow the usual course in your experience with regard to this Paris property?—A. I did.

Q. Could you state generally, Sir Henry, in what respect you would probably have had to pay a larger sum for this property in Paris if it had been generally noised abroad that your company was seeking it?—A. I think it is not unlikely that the price would have become prohibitive if the name of the purchaser were known. That applies not only to railways, but it applies to people of opulence throughout the world as a whole. A rich man or a man who enjoys the reputation of wealth, if he proceeds to purchase a property or wants to acquire a property, he usually does not let his name be known until the property has been acquired, for perfectly obvious reasons. That applies to individuals and companies as well.

Q. I think you stated yesterday that it was necessary to make terms with the tenants occupying that property, to get them to vacate?—A. That is true.

Q. I suppose if those tenants knew this property was being acquired for the Canadian National Railway System you would have had some difficulty to succeed in your object?—A. Yes, that is true.

Sir HENRY DRAYTON: That is feeding it up in good shape.

Mr. KYTE: No wonder, the committee is hungry for the facts, and we are getting them now.

Sir HENRY DRAYTON: No, you are putting the words into the witness' mouth.

By Mr. Kyte:

Q. Has the Canadian Pacific Railway an office in Paris?—A. I believe they have; in fact I think they have offices in most of the capitals in Europe, either through their own company or through subsidiary companies which they control.

Q. I think you stated yesterday that you knew Paris fairly well?—A. Yes.

Q. You were a frequent visitor in Paris in recent years?—A. During the war as Deputy Director of Movement of Railways and Inspector General of Transportation, I had an office in Paris and I also had an office at the front.

Q. Was your knowledge of conditions in Paris greater or less than that of the co-directors of your railway?—A. I think I am not egotistical if I say that I knew something more about Paris than most of our directors, in fact than any of our directors. I would like to say this, in connection with procedures of this sort which we are discussing. Not so very long ago an opportunity occurred for the purchase from the Montreal Tramways Company of a line which runs from Montreal to Bout de l'Isle. I think it is about 12 miles long. I had about an hour in which to decide whether we would buy that property or not. The price was \$1,200,000 and I decided to buy it for the company and did buy it, and it was subsequently reported to the Board of Directors for approval. I had to take the responsibility of acquiring that property or not getting it at all, and I assumed that responsibility and acquired the property. That is an instance within my own knowledge of recent occurrence, which necessitated immediate action and the assumption of responsibility. These are things which from time to time present themselves to the administrator of any large institution.

Q. Did I understand you to say yesterday, Sir Henry, that there was something in the nature of an offer made for the purchase of this property from your company?—A. I have within the last few days received a telegram from Mr. Archibald saying that he had an inquiry from responsible people in Paris to discover whether we would consider an offer of 40,000,000 francs cash for the property, plus free office space for such quarters of reasonable size as we might care to reserve from the property, and he wanted to know whether we would favourably consider such a proposal.

Q. Would that 40,000,000 francs cover the amount expended by you?—A. It depends a good deal on the condition of the franc; I think that would represent about \$2,200,000, plus whatever office space we required free, for our purposes. I told him to develop the thing and let us know further details.

Q. In making the selection, Sir Henry, I presume you had in mind the site, rather than the building; the location?—A. Unquestionably, yes.

Q. I suppose a smaller building would have suited your purpose if one had been available in that quarter?—A. Undoubtedly.

Q. There was something said about a deposit of \$2,680,000, made in the Bank of Toronto?—A. \$2,608,000, I think it was.

Q. You intimated that Major Bell would know more about the particulars of that than yourself?—A. I think so, yes.

By Sir Henry Drayton:

Q. You mentioned that the C.P.R. have an office there. Do you know the rent they pay?—A. No.

Q. Quite a small office, is it not?—A. I do not know; I do not know where it is.

Q. So you cannot give us any particulars about that. What is this railway you just bought?—A. It is that section of the Montreal Tramways which runs from Montreal to, I suppose, the eastern end of the island, Bout de l'Isle, meaning, "The end of the Island."

Q. And what sum of money is involved in that?—A. \$1,200,000.

APPENDIX No. 5

Q. How payable?—A. We have paid already in cash \$200,000.

Major BELL: \$100,000, I think, and the balance is payable within a year. That is just from memory; I can get you the exact figure.

By Sir Henry Drayton:

Q. Is that subject to mortgage or bonds or anything?—A. No.

Q. What is the mileage?—A. 12 miles.

Q. That will be run in connection with what branch of the system?—A. I do not quite understand that question.

Q. That will be operated in connection with what branch of the system, what activity of the system? Is this one of the electric railways?—A. No; I will describe that to you. We have a line running to this same part of the island, Bout de l'Isle. The line to which reference has just been made lies to the north of our line and is immediately adjacent thereto. Its rails prevent access to any industrial development which might take place in that part of the island. Therefore the property was bought more as an industrial freight proposition, of course, than passenger; for the purpose of giving us access to that particular part of Montreal which has developed and will further develop for industrial purposes.

Q. This is really in connection with industrial development, for spur lines, and so on?—A. Yes.

Major BELL: You will find this all set out in the discussion before the Quebec legislature in giving the Montreal Tramways Company power to sign up.

By Sir Henry Drayton:

Q. I hope you are going to follow up that offer that you have from Mr. Archibald?—A. I do not know whether we should or not, for this reason. I should think it would be pretty safe to assume that within five years' time we can sell that property for a good deal more than 40,000,000 francs, if we want to. The situation in Paris is this: Paris until recently was surrounded by fortifications and at intervals the principal thoroughfares leading to Paris penetrate these fortifications. At each one of these fortifications there is a gate, and any one leaving or entering Paris is obliged to stop at that gate and declare their petrol or any other things they may have; they are given a receipt for that, and when they return that is checked up against them to see that they are not smuggling into the city, because a tax exists on everything that enters the city of Paris, and most French cities. That was a tax which arose at the close of the Franco-Prussian war, and was for the purpose of assisting the French municipalities in meeting their various municipal expenses. These fortifications have become obsolete, and the French government is now engaged in tearing them down. The fortifications established a pretty definite barrier to the real development of Paris for residential purposes. With the removal of these fortifications, there will undoubtedly be a considerable impetus to residential building in the immediate vicinity of Paris. In other words, it is going to very largely expand the population of Paris. That in turn is going to mean that there will be a further congestion in the business district of Paris, because the high-class business district of Paris is limited to the area in the immediate vicinity of the Place de l'Opera, the Rue de la Paix, and generally speaking, that district which surrounds La Madeleine. That, in turn, if I am correctly informed, and I believe I am, is going to very materially enhance the value of business locations in the desirable part of Paris. So, there is no question in my mind at all but what before so very long we shall be able to dispose of that part of this property which we may wish to dispose of at a considerably enhanced price. You will forgive me for going into details about the position in Paris, but it explains to you why I think these quarters in Paris are going

[Sir Henry Thornton.]

to be more valuable and more sought after in the future than has been the case in the past.

By Mr. Kyte:

Q. Just one further question. I think you stated yesterday that the Prudential Insurance Company advanced, or were willing to advance some considerable sum of money on this property?—A. £700,000.

Q. That would be sterling pounds.—A. Sterling.

Sir HENRY DRAYTON: With the guarantee of the government.

The CHAIRMAN: Any further questions?

Mr. MACKINNON: I would like to make a little reference to what Mr. Graham said as reported in Hansard. When Mr. Graham was asked what the price was, his answer was, "about \$2,000,000, I am told." He did not say definitely \$2,000,000.

The CHAIRMAN: I think I might also refer to that, because I had a little argument with Sir Henry Drayton. I think what was in Mr. Graham's mind was the original purchase price, which was about \$2,000,000; 28,000,000 francs, which would figure out about \$2,000,000. The \$600,000 made up by way of expenses and taxes would be added to that.

Mr. MACKINNON: At page 3615 of Hansard he said, "I did not say I was not consulted." He was charged with being not consulted, and he denies he said he was not consulted. I thought it was right to have the record corrected according to Hansard, in the absence of Mr. Graham.

By Mr. Harris:

Q. I gathered yesterday that it was considered that Paris is the gateway for all European traffic, whether it is tourist, freight, express or anything that has to do with the interests of the Canadian National Railways?—A. Yes, that is substantially correct.

Q. Perhaps the most remunerative of that, I gathered, was the tourist traffic?—A. I do not think you could say it as definitely as that. Generally speaking there is more profit in carrying freight, whether it be by freight or by express, than there is in the tourist business. In other words, I would not like to say that there is really more profit in the tourist business than in the freight or express, or vice versa.

Q. The policy of the railway company is to push very vigorously the extension of freight collection and express collection, then, on the continent?—A. That is true.

Q. You also intimated that Paris was really the headquarters for emigration from Europe?—A. If I did say it was headquarters for emigration, I did not mean it quite that way. What I meant was that Paris, for the reasons that have been already given, is the centre of industrial and financial activity on the continent; meetings are held there, matters are discussed there, and in a general way policies are more or less drawn from Paris, due very largely to the predominating activity of the French government on the continent of Europe.

Q. You told us yesterday that in these new quarters which you are acquiring you would house, for example, Doctor Black and all his departments?—A. Doctor Black would have an office in London and an office in Paris, and as far as emigration is concerned he might have several offices.

Q. The proposition made yesterday was that one of the ideas in mind was to house Doctor Black in this particular building?—A. I do not remember that statement.

Q. I am sorry I have not a copy of the evidence, but I remember that distinctly. —A. I think you are substantially correct in saying he would have an office there. Most of the time, I fancy, his office would be in his hat.

[Sir Henry Thornton.]

APPENDIX No. 5

Q. His staff, for instance, would be largely housed in Paris.—A. To a considerable degree.

Q. The new office that has been spoken of in London, England, what has been done in that connection? There is nothing very definite in this report, any more than it says, "Having this in view, it was decided to open in London, England, a special office under the jurisdiction of the Department of Colonization?"—A. Yes, that is true.

Q. Is there anything that has been definitely done in that connection?—A. As you probably know, we have a very satisfactory office on Cockspur Street in London, in which the railway offices are placed; Doctor Black has offices in the building also, and the reference in the report is to that office.

Q. This special office is an office that is already in existence?—A. Yes.

Q. And Doctor Black's headquarters, then, will be where, in London or Paris?—A. Both.

Q. And his staff will be partly in London and partly in Paris?—A. He will have to have a certain staff in London to deal with emigration from the United Kingdom, and he would have an office in Paris to deal with continental emigration.

Q. The whole question of emigration is also linked up with the reciprocal arrangement made, for instance, with the White Star and Cunard lines?—A. Yes.

Q. And the head offices of the White Star and Cunard lines are in London?—A. Yes, I hesitated in answering that, because I was not sure but what the head office of the Cunard line might be in Liverpool, but I think that is a substantially correct statement. The head offices of the White Star line are in London.

Q. Would you say that this reciprocal arrangement would be made probably at the head office in London?—A. Yes, more or less.

Q. It would not be necessary for that portion of the staff to be housed in Paris?—A. Not so far as questions of that kind might be concerned. But we might also do business with the Compagnie Générale Trans-Atlantique, the French line.

Q. With regard to emigration and colonization and development, your policy is just what with regard to the continent and with regard to Great Britain? Perhaps there is a statement here, number 5, which would be fair?—A. You will find on page 11—

The CHAIRMAN: Just a moment please. Your questions are directed in accordance with the discussion on the purchase of the Paris property?

Mr. HARRIS: I am trying to draw a conclusion as to the necessity of housing Doctor Black and all his staff in this new building. It was represented yesterday that a portion of this building would be allotted to Doctor Black and his staff.

The CHAIRMAN: I do not want to stop you questioning, but would that not rather be a matter for decision by the Department of Immigration?

The WITNESS: No, Doctor Black is in our employ. We "pinched" him, or got him from the government. On page 11 of the annual report you will find a general statement—I dare say you have it before you there—with respect to how we propose to develop our immigration business, and the principles that we propose to follow in connection therewith.

By Mr. Harris:

Q. I would gather from that statement that it is not the intention to push very vigorously, as you deposed yesterday, the emigration from the continent?—A. Oh yes, it is. I am sorry any one got the impression that we did not propose to push vigorously emigration wherever we would find suitable emigrants.

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

Q. Inasmuch as the report says, "Especially from Great Britain" I would imagine that you would be even more vigorous in pushing emigration from Great Britain?—A. I think you might put it this way. We would prefer—and I think it is quite obvious why—to draw as many emigrants as we can from the United Kingdom, but not at all to the exclusion of pursuing an equally vigorous policy elsewhere, where suitable emigrants could be found. If we could draw all of our emigrants from the United Kingdom, I think it would be a desirable thing to do, but we cannot.

Q. In view of the fact that you are specially working in Great Britain and combing Great Britain, as it were, for suitable emigrants, it is logical to assume that the most of your efforts would emanate from the London office.—A. No, I do not think that would be an accurate deduction to draw, because as I have said we not only want to get as many suitable emigrants from the United Kingdom as we can, but we also propose to aggressively and vigorously pursue emigration matters on the continent.

Q. In view of the fact that this traffic is carried by the White Star and Cunard Lines, is it reasonable to assume that the greater portion of the staff would find themselves working from London, England, rather than from Paris?—A. I should say that London would be the general headquarters of Doctor Black and his staff, and he would also have a suitable office in Paris, and any other offices on the continent as well, which may be subsequently opened.

Q. Do you really think, Sir Henry, that the fact that Doctor Black requires to be housed in Paris to a degree, apart from that part of his office he carries in his hat, do you really think that that one feature would have any bearing with your Board of Directors in encouraging you to acquire this site in Paris?—A. The acquisition of this property was not for the purpose exclusively of taking care of Doctor Black. That was one of the factors in the proposition, but it was not the main factor.

Q. With regard to the freight traffic from the continent, and the express traffic, have you also reciprocal arrangements with the Cunard and White Star Lines?—A. We have a working agreement with both of these lines, with respect to passenger, freight, and express traffic.

Q. I assume that the policy of the White Star and Cunard Lines, for instance, would also be to push vigorously the gathering of freight in central Europe?—A. Certainly, in co-operation with us, just as we co-operate with them here on this side. We have certain freight solicitors who are on our payroll and who work very largely in connection with the securing of business for both companies.

Q. I gather they are divided into two classes, express and freight?—A. Yes.

Q. How many soliciting freight agents do you have in France, for instance?—A. I do not think we have any at present. That is a detail that I should have to ask Mr. Dalrymple about; he is our vice-president in charge of traffic. We have not fully developed our European organization yet. It is a thing to which much more attention will have to be given in the future than has been given in the past. Pretty much all of our efforts in the past have been in the direction of building up the organization for the operation of the railway itself, and we have had to leave aside until we could get at it the establishment of a European tourist, express and freight organization, and we are now getting to it. In fact, we have been at it for some time, but the preliminary efforts necessary had to be first cleared up. During the next year, the next 18 or 24 months, we are going to pursue a very much more aggressive policy of passenger and freight business on the continent than we have been able to pursue in the past.

Q. Your soliciting freight agents for the continent itself, is it logical to assume that they may receive instructions from the head office in Paris, but of course would not be housed in Paris.—A. It would be a general headquarters,

[Sir Henry Thornton.]

APPENDIX No. 5

just as we have a general headquarters in Montreal, and have freight solicitors all over the United States and Canada, in various places.

Q. Take your freight solicitor for the city of Hamilton; he would not probably reach Montreal once a year?—A. Yes, I think much more frequently than that.

Q. Your freight solicitors for Toronto would reach Montreal quite frequently?—A. Yes, they would come to Montreal for meetings and discussions. If you go further afield and take San Francisco, your statement would be correct.

Q. We will take the city of Toronto, about which I know a little more than I do about Paris. The freight solicitors for the city of Toronto find themselves at their desks practically 5½ days a week, do they not?—A. I hope they are not at their desks all that time; I should prefer to hear that they were out hunting business.

Q. They are at their offices?—A. They are in the territory assigned to them.

Q. And as a matter of fact, just taking Toronto for the moment, I understand that they do not leave Toronto at all.—A. Well, I do not know as to that. Certainly I do know that the freight traffic manager and the vice-president in charge of traffic have meetings periodically with the officers, to hear from them their opinions and to discuss matters and give them instructions.

Q. In Paris, for instance, you would not want a very large office to house the heads of the freight soliciting service?—A. Yes, that is quite true.

Q. Very, very, very small accommodation?—A. Not a very small accommodation, but not a very large accommodation.

Q. I gather that the soliciting freight agents would find themselves working from different parts of Europe, particularly in the larger centres of population, soliciting freight, and would not be housed in the Paris building?—A. That is true.

Q. At the same time their superior officers undoubtedly would be housed there?—A. That is true.

Q. So that the point made with regard to the necessity of a large building to house all those different branches—the part which the soliciting freight agents would play in that equation would be relatively small?—A. We tried to make it clear that the whole of this Hotel Scribe was not at all required for the purposes of the railway.

Q. I am coming to that, sir. Now, you do not, as a matter of fact, solicit very much express business? In other words, you do not have a staff or organization out soliciting express business?—A. We would not discriminate in Europe between freight and express solicitors, one set of solicitors would look after not only the freight and express, but also the tourist and passenger business.

Q. There would be only the one class of solicitors?—A. Yes.

(At this point the Chairman, Mr. Euler, left the Chair, and Mr. Stork acted as Vice Chairman.)

By Mr. Harris:

Q. How much of this building would actually be used for the purposes of the Canadian National Railway, after you have thoroughly made up your organization?—A. Well, in that connection, Mr. Harris, I proposed what I think will eventually come about that any officers whom we may have in Paris for the various departments would likewise like a floor to themselves, and that is the object of securing quarters in such a desirable location, and we would have to take into consideration, if that comes about, not only the space required for immediate railway purposes, but for any collateral purposes which the Government might wish to employ.

Q. The Government and the Canadian National Railways would work very closely, hand in hand, on the Continent?—A. Oh, obviously.

[Sir Henry Thornton.]

Q. You would find it necessitated the bringing of the policy of the Canadian National Railways into line with the policy of the Government?—A. I do not quite know how to answer that, I want to answer it, but I do not quite understand the question.

Q. Well, you propose to rent a considerable part of this space to the Government?—A. A portion of it, yes; but there will be a residue for which none of us have any use—

Q. I am trying to gather from you, Sir Henry, what portion of this building will be required for the National Railways purposes. You do not exactly know what that is as yet?—A. Not precisely. That is being worked out.

Q. Would that be one-half of the building?—A. No.

Q. Do you think it would be 25 per cent. of the building?—A. Perhaps; that is about right.

Q. What portion do you think the Government will require?—A. Oh, I cannot answer that. I do not know precisely just what space they have elsewhere at the present time.

Q. Sir Henry, if the policy of the Government was to change very considerably, and you found, for instance, that a tariff was put up against goods coming in from Europe—

Mr. KYTE: God forbid.

Mr. HARRIS: —which made it impracticable for you to even send out soliciting freight agents, soliciting freight traffic and express traffic, do you think you would find yourselves, with a large organization in Europe, probably embarrassed to get a financial return from your expenses?

The WITNESS: If such a situation would come about, if a tariff would be put up which would practically prohibit the movement of freight from Europe to Canada, we would, of course, have to trim our sails to meet the wind, and have to adjust our forces accordingly.

(Chairman Euler resumed the Chair; Acting Chairman Stork withdrew.)

By Mr. Harris:

Q. I gather that your sails are trimmed now to gather as much freight as is possible on the Continent?—A. One is always subjected, and rightly so, to whatever policy the Government may pursue. If the Parliament of Canada imposes a prohibitive tariff, we will have to make the best of it.

Mr. HARRIS: I think that is all.

Mr. KYTE: Is that a threat or a prophecy?

Sir HENRY DRAYTON: Mr. Chairman, I have the paper here, of which I spoke this morning. It is the "L'Amerique Latine."

Major BELL: I thought it was a small-sized sheet.

Mr. KYTE: This is only a four-page paper.

The WITNESS: Would you mind letting me see that? (Paper handed to witness.)

Sir HENRY DRAYTON: That is all there is to it. I think I recognize this sheet. I notice something on the first page here about de Cameron Bocaccio, which seems to be pleasant reading. Here is a column, "La vie Canadienne." It starts off with "Mr. Forke" too.

Sir HENRY DRAYTON: There is a special article on the Hotel Scribe.

Mr. KYTE: Have you a translation of it, Sir Henry (Drayton)?

By Sir Henry Drayton:

Q. That is the sheet?—A. Yes, that is it.

[Sir Henry Thornton.]

APPENDIX No. 5

Q. That is a paper apparently published in the interests of French people and Latins in America, and a copy of it is always sent through the mails to the Members?—A. I have no doubt of it.

Mr. KYTE: Have you any other copies?

Sir HENRY DRAYTON: Yes; I get it regularly.

Mr. KYTE: I don't receive any.

Sir HENRY DRAYTON: Perhaps you do not address yourself to the study of French——

Mr. KYTE: I never addressed myself to the cultivation of this particular type of literature. I shall have to do that.

By Sir Henry Drayton:

Q. Do you recognize it?—A. It is not one of the well-known French morning papers like *Le Matin*, *Le Soleil*.

Q. You have a knowledge of French, so if you will follow me to see if I am reading this correctly?—A. All right.

Q. (Reading):

“Our readers know that the big building on the Boulevard des Italiens has been acquired on the guarantee of the state railway known as the Canadian National Railways. They wonder what is happening to this building, partly hidden under planks, and from which the enormous letters announcing to the world the agent of the Paris agent of this railway have disappeared.”

That was Mr. Aronovici, was it not?—A. Yes.

Q. (Reading):

“This mystery is explained as follows: The Canadian Federal Government entrusted the financial reorganization of its railway to an English specialist, Mr. Thornton, who would not accept the task, unless he was given full powers, which have made him a dictator. So that we do not know what is going to be the fate of this Boulevard building. We may, however, assure Mr. Thornton that it may be opportune in the interests of the general public, and notably of Canadians, to state clearly what are the facts and what are his intentions. It is altogether inopportune to allow the publication of evil rumours——”

That is, as you said, one of the feelers that was thrown out?—A. I do not know whether that would apply particularly to this paper; there was another paper which followed more or less along this same line.

Q. (Reading):

....“and it is better to stop them by making a clear statement. The small press published articles on the ‘Roumanian who has purchased a terrace in the heart of Paris, and who is in trouble with his British patrons.’”

I suppose that is Aronovici?—A. Presumably.

Q. Do you know anything about this “terrace in the heart of Paris”?—A. I do not know, unless it refers to this party.

Q. “Who is in trouble with his British patrons”, I suppose that is the time he was dropped from the service?—A. Dropped from what service?

Q. From your service?—A. He resigned from the service. I do not know what this terrace is. I never heard of it.

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

Q. (Reading): "Others refer to the contributing 55,000 shares"?—A. I do not know anything about that. (To Major Bell) Do you?

Major BELL: We formed Aronovici into a company, and issued so many shares, and that was the way of getting them into the company. Immediately after, he transferred these shares to the company, and they came into the possession of the Canadian National Railway.

Sir HENRY DRAYTON: Was that the amount of \$55,000?

Major BELL: No, I had it in francs. I think it represented 30,000,000 francs.

Sir HENRY DRAYTON: I will take that up later when you are examined. (Reading):

"As for us who are only concerned with the good name of our friends in France, we demand that an official and precise statement be made without further delay".

That was the thing I was referring to this morning.

The WITNESS: There was another one that was much more libellous than this; this one is not very libellous.

Major BELL: It is quite innocuous.

The WITNESS: There was another one in addition to this, which is the one I was referring to.

Major BELL: It is not that paper. It is a much smaller sheet. I think I have a copy of it. I will look it up.

Mr. KYTE: And it refers to an article appearing in a smaller press. This is apparently a four-sheet paper—

The CHAIRMAN: Is it a daily paper?

The WITNESS: I don't know—

Mr. KYTE: I was going to look it up.

Sir HENRY DRAYTON: Weekly, I think.

Mr. KYTE: It is just a four-page paper. I do not know whether it is daily or not.

The WITNESS: It is not one of the well-known daily French journals.

Sir HENRY DRAYTON: It is a weekly.

The CHAIRMAN: How do you spell that?

Mr. KYTE: It is apparently a four-page paper which by no means represents the responsible French press in Paris.

The WITNESS: I do not know anything about its respectability, and I would not like to make any statement in connection therewith, but I will say that it is not one of the well known French journals.

The CHAIRMAN: Any further questions?

Mr. STEWART: With respect to some statements made yesterday, I would like Sir Henry (Thornton) to give us some further information. If my notes are correct, the rentals of this building, if as estimated, would make a return of 6 per cent. I wonder if he could enlarge on that. Six per cent of what?

The WITNESS: Six per cent of the amount we have invested in it.

By Mr. Stewart:

Q. We have at the present time about \$2,700,000 invested in it?—A. I think it is something like that.

Major BELL: That was 6 per cent on the finished building. That was the estimate for the building after we get through and have made all the changes. That was my evidence, Mr. Stewart.

[Sir Henry Thornton.]

APPENDIX No. 5

Mr. STEWART: That was 6 per cent on approximately \$3,200,000 or \$3,300,000.

Major BELL: That was about \$3,200,000, yes.

Mr. STEWART: That was a gross return? There would be taxes and depreciation deducted?

Major BELL: No, that is the net after providing for taxes.

Mr. STEWART: But not depreciation?

Major BELL: They thought there would be a small amount for depreciation, and to wipe out the capital interest on the building, but advice to me was that we could earn 6 per cent based on present rentals in Paris.

Mr. STEWART: And knowing this building, would you be able to say what would be a fair allowance for depreciation?

The WITNESS: There would not be very much of a depreciation, because it is a stone building and extremely well built, and the repairs on it certainly could not be very much. I do not know what I could say as to depreciation. There would be a certain charge for depreciation, but in view of the character of the building, it could not be a very high figure.

The CHAIRMAN: Would you think the depreciation on the building would be offset by an increase in value of the land?

The WITNESS: Oh, yes; more than that.

Sir HENRY DRAYTON: I did not say anything to Sir Henry (Thornton) about that, because I thought Major Bell spoke about it.

Mr. STEWART: I did not take a note of who it was made the statement, but I had the statement here. You say the taxes have been provided for?

Major BELL: That was a rough estimate. That was in a conversation going over the matter with our builders, in our architect's office. They were familiar with rentals and buildings, and I was not, and I wanted to get a general idea.

Mr. STEWART: You are assuming the responsibility for making that statement?

Major BELL: I made it yesterday; that that was the information I had.

Mr. STEWART: Sir Henry (Thornton), I think perhaps you have answered Mr. Harris as fully as you can as to the percentage of floor space in this building which the railways will use.

The WITNESS: The answer I gave Mr. Harris is about as near as I can come to it.

By Mr. Stewart:

Q. Somewhere in the neighbourhood of 25 per cent. It would, of course, be the most valuable space?—A. It would be on the ground floor.

Major BELL: The ground floor and the first floor up were reserved. That was subject to change. Mr. Dalrymple, our Vice President in charge of traffic, was over there, and my instructions to Mr. Young, our General Manager, were to reserve the two lower floors, and possibly part of the basement.

Mr. STEWART: Would this concern, which Sir Henry has intimated has made a profit, be aware of the amount of space the Canadian National would require? That is a very material part of their offer.

The WITNESS: It all depends on what we want to do. If we had a sufficiently attractive offer for the property we would reduce our space to the space which was required by our officers dealing directly with the public, that is to say, the ticket offices, and we would put other officers and other offices some other place. It would all depend on how attractive the offer was.

[Sir Henry Thornton.]

By Mr. Stewart:

Q. You could reduce your space to less than the whole ground floor?—A. We might, yes. We might reduce it materially.

Q. You do not know what this concern had in mind when they made the offer allowing you the free rental of the space you require?—A. No, I do not. That is what I asked Mr. Archibald to go into at once and develop the details. I do have an intimation from a gentleman who is very familiar with Paris property, who is in business on Fifth Avenue, New York, as an importer, that probably some one of the large department stores in Paris would like very much to get such a site as this on the Boulevard de Capéchine. His estimate of the value of the property was 60,000,000 francs.

Sir HENRY DRAYTON: Is that the same gentleman whose name you would not give us?

The WITNESS: No, it is not the same. This was merely in conversation with him a couple of months ago.

By Sir Henry Drayton:

Q. Have you any objection to giving his name?—A. Yes; I won't give it.

The CHAIRMAN: Any further questions?

Sir HENRY DRAYTON: When Major Bell takes the stand I want to go into these figures as to the size of the property.

Major BELL: I gave that to the reporter yesterday and it is included in the evidence.

Sir HENRY DRAYTON: I have not got the notes yet.

Major BELL: They will be printed in yesterday's proceedings. They were 126,994 square feet, the building is 105 by 180½.

Mr. HARRIS: Will Major Bell depose exactly what instructions were left in Paris with regard to the remodelling of this building?

Major BELL: No; a great deal will depend on the tenant. I can tell you generally, that necessarily the instructions were left to the men on the ground, Mr. Archibald and Mr. Young, but the general instructions were that the Government offices and the railway—

Mr. HARRIS: Perhaps I had better ask Sir Henry Thornton.

By Mr. Harris:

Q. What is the policy of the Canadian National directorate with regard to remodelling this building?—A. There are two things which can be done, and it depends a good deal on what the tenant wants. You can either rent the space, as it stands, to a tenant and let him remodel it, under suitable provisions, to suit his own requirements, or we can find out what he wants in a general way, and put the space which he will occupy in shape for occupation. In the latter event, naturally the rental will be much more than in the former case. It depends a great deal on what the tenant himself wishes, because sometimes a tenant would rather rent a certain amount of space and fix it up to suit himself, than permit us to do so. That is a matter to be decided. We might even do both in different parts of the building.

Q. In lieu of the fact that it may be necessary, within a few years, to "trim your sails" as you say, with regard to the policy of the continent, what is the policy of the Canadian National Railway directorate with regard to the length of time these leases to tenants will run?—A. The lease to a tenant would not affect us, because even if we reduce our force on the Continent, we would still want to retain our tenants, so it would not affect the tenants. It would simply mean in the event of our being obliged to materially reduce our force—

[Sir Henry Thornton.]

APPENDIX No. 5

Q. Why not say enlarge it—A. In the event of our wanting to enlarge? What we would do, is this: We would decide our maximum requirements. We would not absorb all the space in the building, and the rest of that space could be rented on long-term leases, if we liked, and we could retain the rest of the space, and the balance between our maximum requirements and minimum requirements would be on relatively short leases.

Q. You have taken into consideration too the deposition you made with regard to the fact that within five years this property will be worth a great deal more than it cost you?—A. Oh, yes.

By Mr. Milne:

Q. When did you expect the building to be occupied?—A. Well, I do not know exactly, but I should think within six months or so.

The CHAIRMAN: Any further questions? If not, we will adjourn until Monday.

The witness retired.

The Committee adjourned.

COMMITTEE ROOM 231,

HOUSE OF COMMONS,

MONDAY, June 23, 1924.

The Select Standing Committee on National Railways and Shipping met at 10.30 o'clock a.m., Mr. W. D. Euler, M.P., Chairman, presiding.

The CHAIRMAN: Gentlemen, I think we have a quorum. On Friday, when we adjourned, it was the desire to call Major Bell this morning. Sir Henry (Drayton) do you wish to go on with Major Bell?

Sir HENRY DRAYTON: Yes, Mr. Chairman.

The CHAIRMAN: Unless it is the desire of the Committee to take another witness or to go on with Sir Henry Thornton.

Mr. KYTE: Let us take Major Bell.

Major G. A. BELL, called and examined.

By Sir Henry Drayton:

Q. What was your first connection with the Scribe Hotel?—A. You mean when I first went overseas?

Q. The first thing you ever heard about it. Let us start with the birth?—A. The first time I ever heard of it was on April 28th, 1923. I did not know it was the Scribe Hotel or what property it was. I knew that Sir Henry (Thornton) had secured a property over there.

Q. April 28th?—A. April 25th, I should say.

Q. That was the time you sent over \$200,000? Did you have anything to do with deciding that matter or was your action purely departmental?—A. Departmental.

Q. In other words, you knew nothing about it?—A. Only the \$200,000. I had nothing to do with the balance.

Q. You knew that \$200,000 was to go?—A. Yes.

Q. At that time did you know what the total price was?—A. No.

Q. All you know is you were told to send over \$200,000, and you sent it?—A. Yes.

Q. Then what was the next thing?—A. The next I heard of it was when it came up in the House—the night of the estimates.

Q. That was the very next thing?—A. Yes.

[Major G. A. Bell.]

Q. Down to that time had you, as a matter of judgment, passed on it one way or the other?—A. Only at the meeting of the Board of Directors, on the general policy of establishing an office in Paris.

Q. We have heard about that. That was a general question, and nothing said about the Scribe Hotel, and no action taken one way or the other. So at that time you did not know anything about the Scribe. My question was had you, down to the time the matter came up in the House in June of last year, gone into the merits or demerits at all?—A. As to the price of the hotel?

Q. Yes?—A. No.

Q. So then the connection is, first, doing as you were told about the 200,000 dollars, and then hearing it come up in the House?—A. Yes.

Q. Then, I take it from what you have said, that you did not discuss the matter with any members of the Cabinet down to that date—or had you?—A. No. Oh, I may have discussed with Mr. Graham the policy of buying an establishment in Paris, but not in detail.

Q. At any rate you did not discuss the Scribe with him?—A. No.

Q. Then, what is the next thing you had to do?—A. The next matter was when it came up in the House at the end of some of our estimates—I think it was the Railway Commission estimates. Something had appeared in the evening papers and a member spoke about it in the House, and Mr. Graham said he would have the information when the proper time came up.

Q. So it was through you that the Minister had his information as to the manner in which it was financed, as we went over the other day—A. Yes, sir.

Q. That is, the deposit in the Bank of Toronto?—A. Yes.

Q. You gave the Minister then the information as to the amount of money?—A. Yes.

Q. What information did you give the Minister as to the amount of money?—A. I telephoned, I think, that evening, and asked Sir Henry (Thornton) what they had paid for the building. As I remember, he told me approximately 30,000,000 francs. I translated that roughly into dollars, and it was approximately \$2,000,000. I had not, at that time, seen the letter and I did not ask him about any other details. I asked him how he proposed paying for it, and he told me how the matter was to be handled, and that the railway had deposited an amount in the Bank of Toronto to cover the amount that had been advanced to Aronovici. I did not ask him about the other items. I took it for granted it was this \$2,000,000, and when the Minister was asked for information as to the cost of the building, I told him to say "approximately \$2,000,000."

Q. He was not asked the cost; he was asked only the amount of the deposit. We had that only the day before yesterday?—A. Pardon me, Sir Henry (Drayton). At first it was as to the cost of the building.

Q. And then how it was financed?—A. Yes. We told him a total of \$2,000,000, because we knew nothing more about the balance then.

Q. That was the way you explained that the House was advised that the deposit was \$2,000,000 instead of \$2,608,000?—A. We were only dealing with the cost of the building.

Q. No, you were dealing with the deposit there. The question was as to the amount of the deposit, and we were told \$2,000,000. The deposit was \$2,608,000. Now, is there any doubt about that, or do you want me to turn up Hansard?—A. The deposit was \$2,600,000, but I am explaining all the information we had was on the cost of the building. We had not asked for the exact amount of the deposit. We knew the processes, and we took it for granted it was \$2,000,000.

Q. So there is no doubt about the House being misled, and you point out it was misled honestly?—A. Yes.

APPENDIX No. 5

Q. Well, the fact that it was misled is there. Then, what was the next thing you had to do with it?—A. In the latter part of July or the first part of August in 1923, Sir Henry (Thornton) asked me if I would go over.

Q. Before that: you say you had not further discussed it with the Minister?—A. Oh, yes; I had looked into the whole thing as to what the cost had been, and had seen this letter, and Sir Henry (Thornton) had explained the whole matter to me.

Q. Then, of course, you took it up with the Minister. What was the Minister's instruction to you?—A. I did not receive any instructions from the Minister. You are referring to my trip overseas?

Q. Yes?—A. I did not receive any instructions from the Minister. Sir Henry (Thornton) approached me, and I told him I was agreeable if the Minister was; that I was a departmental officer. Sir Henry (Thornton) went to the Minister, and he gave his consent: he practically loaned me to the company.

By Sir Henry Thornton:

Q. You were Vice President, at that time, were you not?—A. No, I had resigned.

Sir HENRY DRAYTON: I did not hear that aside.

Sir HENRY THORNTON: I will tell you what that aside was. I said "At that time you were Vice President of the Company, were you not?"—

Sir HENRY DRAYTON: That is all right; I just wanted to know what was going on.

The CHAIRMAN: Proceed.

Sir HENRY THORNTON: Wait a minute. That question was addressed to me with the supposition that I was saying something to Major Bell that I should not have said.

Sir HENRY DRAYTON: All right; I think the questions should be addressed to Major Bell.

Sir HENRY THORNTON: All right. I did not like the inference.

The CHAIRMAN: Sir Henry (Drayton), I think you had better address your questions to Major Bell, and I will also ask Sir Henry (Thornton) not to answer unless questions are put to him.

By Sir Henry Drayton:

Q. When did you leave?—A. I think I left New York about the 9th or 10th of August; that is within a day or so.

Q. And you went straight over to where?—A. I went to London.

Q. Whom did you see in London?—A. I wired Aronovici to come over and see me.

Q. And I suppose Aronovici came over?—A. Yes.

Q. And you saw him?—A. Yes.

Q. And did he bring over his papers with him?—A. No.

Q. Did you ever see the option?—A. No.

Q. Who were the owners?—A. I don't know.

Q. Do not know who the owners were?—A. Well, I did hear in a casual way. That was for our legal department to take care of. I was not interested.

Sir HENRY DRAYTON: Now, the witness does not know, Mr. Chairman if Sir Henry (Thornton) wants to supply the information, I do not mind.

Sir HENRY THORNTON: You asked me the other day who the owners were, and I told you I would find out. I am sorry it slipped my mind, but I will find out in a day or so.

By Sir Henry Drayton:

Q. Not knowing who the owners were, then you never got in touch with them, of course?—A. No.

[Major G. A. Bell.]

Q. Did you make any inquiries when you were in Paris, or anywhere else, as to the length of time that property had been on the market?—A. Yes. I heard in a general way, Sir Henry (Drayton)—May I explain to you that in connection with the transfer, under instructions, Mr. Archibald handled it, or, at least, his office checked the price and saw the notarial deeds, seeing they were registered, and everything of that kind. That was not work which concerned me.

Q. I was not asking you about what Mr. Archibald did?—A. I was explaining why I did not touch it. I passed that on.

Q. I was just asking you the fact. You said, if I got it rightly, you did make some inquiries or secured some information as to the length of time the property had been on the market. How long had it been on the market?—A. I understood three or four years.

Q. For how long a time had it not been used as an active hotel, or was it still used as an active hotel?—A. The building was not all used as an active hotel. If you will permit me, Sir Henry (Drayton), I will explain that and show you what it was used for. (Witness exhibits and refers to photograph). This (indicating) is the building, and from here (indicating) around the corner, it goes in to about there (indicating). On the first floor there was a cafe right in the corner, extending down on this street (indicating)—

Q. It looks as if it was in the oval—the circle?—A. Yes. It ran from here (indicating) to right around the full length of this street (indicating). From here to here (indicating) were about six or seven other shops. That included the whole of the ground floor—

Q. Which is the north and which is the south, because “from here to here,” does not tell the reporter anything?—A. That (indicating) would be north (indicating to the right of the photo as faced to the Committee).

Q. Well let us get instead of “from here to here,” the notes so they will be intelligible. You have a cafe in the curve?—A. Yes.

Q. Then you point out what you say is to the north—A. I can identify it this way, perhaps. On the Rue Scribe are about seven shops.

Q. That is the street between these two buildings?—A. Yes. On the Boulevard de Capachene, the whole of the ground floor and a little around the corner on to the Rue Scribe was the Grand Cafe. That is the Grand Cafe (indicating). Then on the next floor, on both streets, was the Jockey Club of Paris.

Q. That is the first floor up?—A. That is the first floor up. The whole of it was occupied by the Jockey Club, and was still occupied while I was there. In fact, when I first went there the cafe, and all the shops, were all tenanted. What was known as the Hotel Scribe was the next three floors and the attic. That was unoccupied and I understand had not been occupied for two or three years.

Q. Then we purchased this in May of 1923. What was the amount of rental actually received at that time?—A. I have not got that exactly, but the rents would not correspond to the rents of to-day in that all those who were in the building had made their leases prior to the war when the franc was at par—

Q. We had all that explained—

Mr. KYTE: Is it not well to permit Major Bell to give his answers, and not throw him off the track. The Committee are here to get all the facts.

Sir HENRY DRAYTON: I did not want to waste time. (To Major Bell) go ahead.

Mr. KYTE: Don't talk about wasting time.

Sir HENRY DRAYTON: Go ahead, Major, and make all the explanations you want.

APPENDIX No. 5

The WITNESS: I do not remember, Sir Henry (Drayton). I was not interested in what they were paying. What I was interested in was what they are worth to-day.

By Sir Henry Drayton:

Q. That may be a reason, but I was asking for the facts. Let us get all the explanations that are wanted. Go ahead and talk as long as you like.

The CHAIRMAN: I think what Mr. Kyte was referring to was that the leases were made on the old basis of exchange, and that made a considerable difference of exchange.

The WITNESS: Yes, they were made when francs were at par. They are about 5 cents to-day. That means the leases were worth about four times that, and you can add anywhere from 30 per cent to 50 per cent for the increase in rentals which has taken place in Paris.

By Sir Henry Drayton:

Q. Is that all?—A. That is all.

Q. What was the amount of rent received at that time?—A. I have not got the figures.

Q. Did you ever have them?—A. Yes, I discussed them.

Q. Where are they?—A. In Paris. We discussed them when buying out the leases.

Q. What leases were active there at that time?—A. The Jockey Club lease, the Grand Cafe, and some six or seven of these small shops.

Q. So we have these two leases and the smaller shops?—A. Yes.

Q. What was the date of the cafe lease?—A. What is that?

Q. What was the date of the lease of the Grand Cafe?—A. The date when it was first made?

Q. The date of the lease; I do not know how often it was renewed?—A. I have not got it here.

Q. Did you learn of it?—A. I have no doubt I saw the lease.

Q. Have you any recollection as to the date?—A. Yes, I have Sir Henry (Drayton). I saw the length of those leases when I was in Paris.

Q. I was asking you as to when?—A. Yes, I saw that.

Q. Approximately what was it?—A. I think that lease, as I remember it, had about six or seven years to run.

Q. How long was it made out for?—A. Some fifteen or twenty years. I am only speaking from memory. That is really of no value. I don't remember.

Q. Was it a lease entered into before or after the war?—A. Before.

Q. Can you say how long before?—A. No.

Q. Well, that is the Grand Cafe lease. Now, the Jockey Club lease; when was that entered into?—A. Before the war.

Q. How long before?—A. I imagine ten or twelve years—well, not quite that long. I think the Jockey Club was a twenty year lease, and was made probably about 1910. Again I am only speaking from memory.

Q. Then, these stores; when were they rented?—A. They were prior to the war and had about six or seven years to run at the time I was over there.

Q. Can you tell us definitely, or is it a hazy recollection?—A. I know they had six or seven years to run.

Q. Do you know when they were entered into?—A. No, I cannot tell as to that.

Q. What is your recollection as to the amount of the rent—the total amount of the rent?—A. I have not got it.

Q. Then, can you tell us what the taxes were at that time?—A. No.

[Major G. A. Bell.]

Q. You do not know what the taxes were?—A. No.

Q. Can you tell what the amount of the municipal assessment was?—A. No.

Q. Did you inquire at all as to the amount of the assessment?—A. No.

Q. Then, when you were in Paris, did you at any time go into the question of the resale of the property?—A. No, unless you refer to my negotiations with Aronovici.

Q. No, I do not mean that?—A. Outside of that, no.

Q. That was just getting the title in from Aronovici?—A. Outside of that, no.

Q. With a view of getting the money back did you look into that phase of the question at all?—A. No.

Q. You did not?—A. No.

Q. Then, whom did you see in Paris in connection with values, or in connection with this transaction, outside of your lawyer, Mr. Archibald, and Aronovici?—A. Our contractors and architects.

Q. That is as to the question of the changes, I suppose? That is what you were seeing them about? Is that it?—A. After we brought them in, yes.

Q. Have you got the details, and after getting the title and seeing what you were going to do with the property?—A. Yes.

Q. But, apart from that, did you take it up with any real estate valuers or agents?—A. No.

Q. Then, just exactly what happened to Mr. Aronovici? Did he resign, or was his resignation asked for?—A. After Mr. Black was appointed, and before we settled matters, Aronovici wanted to know what his position would be, and I told him I refused absolutely to discuss it with him. I told him that rested with the Chairman and the Board of Directors. Later on, I suppose within a week or ten days, or perhaps the last week or ten days I was there, I intimated to him that with the reorganization there would hardly be a place for him. He said he recognized that.

Q. At that time he was getting \$15,000 a year?—A. Yes.

Q. Now, did you ever get to know what the date of that option was? You did not see it, but perhaps you learned the date?—A. I told you, Sir Henry (Drayton) that I never saw the option.

Q. Did you learn what its date was?—A. No.

Q. You do not know when Aronovici got it?—A. No.

Q. So you cannot help us at all in finding out Aronovici's real relationship with the owners? I do not know whether it is worth while taking up more time on that.—A. I cannot.

Q. Then as to the taxes: You did not ascertain the municipal valuation, but I think you did ascertain the amount of Government imposts in connection with the transfers?—A. Yes.

Q. Let us get the total charges, if we can find it, of Government taxes paid on that building.

By the Chairman:

Q. Is that given in the statement you gave the other day, Major?—A. Yes, it is in there.

Sir HENRY DRAYTON: No, it is not all in. It is only an estimate.

The WITNESS: The first transfer registration fee was 3,360,000 francs. That represents 12 per cent of the purchase price of the property, which was \$28,000,000 francs. That is a regular Government percentage.

By Sir Henry Drayton:

Q. That is from the deed from the owners, whose names you cannot give me, to Aronovici?—A. Yes, that was the deed to Aronovici.

APPENDIX No. 5

Q. Then, how much was the tax paid for the mortgage?—A. The registration for the mortgage was 750,000 francs.

Q. That would make a total in connection with the original transaction of 4,110,000 francs. Is that right?—A. Yes.

Q. That closed the first transaction. There was no further impost to pay there, I hope?—A. There would be the legal fees, but they have been comparatively small.

Q. I will not bother you about that. I want to get the Government impost?—A. Yes.

Q. Then we have the transfer from Aronovici to the company, which you formed?—A. Yes.

Q. What were the fees then?—A. That has been paid since I left France, Sir Henry (Drayton).

Q. Have you not been able to verify that?—A. I think it would run about $1\frac{1}{2}$ per cent—between 1 per cent and $1\frac{1}{2}$ per cent.

Q. Between 1 per cent and $1\frac{1}{2}$ per cent?—A. Yes.

By Hon. Mr. Graham:

Q. In transferring the property from Aronovici to the new company you transferred the stock instead of the property direct? Aronovici had been formed into the joint stock company, and made the transfer in stock?—A. Yes. I explained that the other day.

By Sir Henry Drayton:

Q. For that reason the full 12 per cent had not been paid?—A. Yes.

Q. But there was a certain percentage which had to be paid?—A. Yes.

Q. I am trying to get that definitely.—A. That has been paid since I left, but the idea was to get away from the 12 per cent Government tax, and we formed Aronovici into a company of 30,000,000 francs, and immediately transferred his shares to the new company which was formed.

Q. What I want to do is to find out, if possible, just exactly what that cost is to the country?—A. It was a regular company. I was looking to see if that was set out in the arrangements, but it is not.

Q. I am not sure whether you said this or not, so do not pay any attention to what I say excepting for the purpose of refreshing your own memory, but I think you said during one of the sessions of the Committee that by doing it in this way you reduced the fee to one-third or one-quarter?—A. I have a hazy recollection of a 1 per cent or a $1\frac{1}{2}$ per cent charge. I know they were reduced materially. I cannot give you the exact figures. I am only guessing. That has all been paid since I left.

Q. I wonder if we cannot ascertain these facts?—A. I can have a cable sent for them.

Sir HENRY DRAYTON: It seems to me we should know what the charges are.

The CHAIRMAN: I think, Sir Henry (Thornton) can give you that.

Sir HENRY DRAYTON: Go ahead, Sir Henry.

Sir HENRY THORNTON: I cannot give it to you to-day, but I can to-morrow.

Sir HENRY DRAYTON: Supposing we let this matter stand until we can get that because I want to get the final result from the mortgage. Could we go on with the estimates now?

The CHAIRMAN: Are you finished?

Sir HENRY DRAYTON: No. I want to get that information. I do not know what effect it will take, but I want to follow up all the different reasons for the different shiftings of ground. They may be perfectly all right, or perfectly all

wrong. I do not know. It may be that the Government was justified in dealing with Aronovici, or it may be that Aronovici was not the type of man that the Government was safe in leaving the matter with.

Mr. KYTE: All this is perfectly gratuitous for the purpose of getting it on the record. (To Sir Henry Drayton) You have no evidence to support that; you only think you can create an impression—

Sir HENRY DRAYTON: My hon. friend is all wrong. I say frankly that I do not know, and I am trying to find out.

The CHAIRMAN: You are not through with the witness?

Sir HENRY DRAYTON: No.

The CHAIRMAN: Please proceed.

Sir HENRY DRAYTON: I say I would like to get this information with a view of trying to get the justification for the change at the extra expenditure of money.

The CHAIRMAN: I suggest you ask the witness—

Sir HENRY DRAYTON: He says he does not know. Sir Henry (Thornton) says he will get it tomorrow.

The CHAIRMAN: Then proceed with any further questions.

Sir HENRY DRAYTON: No, everything in Paris hinges on this.

The CHAIRMAN: I would say you can only get this information by proceeding with the witness.

Sir HENRY DRAYTON: We can come back to this afterwards, but I think we will waste time this way.

By Sir Henry Drayton:

Q. Well, let us go back to Aronovici, and let us get in as chronological and definite order as we can just exactly what Aronovici claimed in connection with your negotiation.—A. As to the amount he claimed, Sir Henry (Drayton)?

Q. Yes, the full amount Aronovici claimed?—A. When I first met Aronovici, he was keen to go on with this contract; that the railway should take up the space that would be required by any Government offices, and then he wanted to go ahead and lease the balance of the building. On going to Paris I decided the best thing to do was to take the building over into our own name and get rid of Aronovici altogether, and go ahead with our own repairs.

Q. What prompted you to that determination? For what reason were you determined to get rid of Aronovici?—A. If Aronovici could exploit the building and make money out of it, we certainly could do the same thing.

Q. Then how far had you got along with the question of exploiting the building at that time? Let us get the date when you determined to get rid of Aronovici?—A. What date did I decide to get rid of him?

Q. Yes?—A. I suppose two or three weeks after I got over there.

Q. That would be about when?—A. In September sometime, sometime about the middle of September.

Q. Then how far had you gone on in connection with, as you say, exploiting the building, in September?—A. I decided we should lease the offices and we could go ahead and repair the building just as well as Aronovici. One thing that determined me that he should not have it was his idea of having a hotel put back. I thought it would be a bad thing for the offices.

Q. Had you any firm offer for renting?—A. No, I had not gone after it.

Q. Had you seen any real estate people with a view of getting their views as to rents or value?—A. Yes, in a general discussion in Mr. Archibald's office.

Q. Had you seen any real estate people?—A. No, I did not look up any real estate people.

APPENDIX No. 5

Q. Well then, in the absence of getting any advice as to rents were you able to come to any conclusion—A. Sir Henry, (Drayton), pardon me; I did not make that statement that I had no advice as to rentals; you are making that statement for me.

Q. Well, we will go back, and I will give you every opportunity of giving all the explanation you want.—A. I told you I went to Mr. Archibald, who is probably one of the most experienced business lawyers in Paris, and who knows all the business men in Paris, and in matters of that kind I acted on his advice.

Q. Had Mr. Archibald associated with him any real estate experts for the purpose of advising him?—A. I presume he had, because—

Q. Do you know—

Mr. KYTE: Let him finish his answer.

Sir HENRY DRAYTON: He said "I presume"; I want his answer.

The CHAIRMAN: Let him answer the question.

By Mr. Kyte:

Q. You said "because"; because what, Major?—A. I did not believe Mr. Archibald would make a statement like that without having advice on it.

By Sir Henry Drayton:

Q. What was his statement?—A. On prices and value. He did not think it was excessive.

Q. What did he say? What did he tell you about rentals?—A. He said he would get higher rents than almost any building in Paris.

Q. What did you tell him about the sum? For example, let us take this building we have here—the rooms; can you tell what rent he put on the corner that was used by the café?—A. In a general way. It was not interested in an odd room here and there, or an odd shop. What I wanted to know was what the total rentals would produce, having in mind it would cost us from \$500,000 to \$750,000—I am putting this in dollars—to put that building in first class repair for the tenants, and knowing the total amount that had been paid out or would have to be paid out, and after talking this over with the architects and builders he was of the opinion, the same as I was, that we could make at least 6 per cent on our investment.

Q. Can you give me anything more definite than that?—A. No; I was not interested—

Q. That is the foundation for that opinion?

The CHAIRMAN: He says he cannot; he says he does not know.

Mr. KYTE: The foundation for Mr. Archibald's opinion?

Sir HENRY DRAYTON: No, for his own.

The WITNESS: Excepting that talking with Archibald—

Mr. KYTE:—It was not his own opinion.

The WITNESS:—who probably knew more about it than any other man in Paris.

By Sir Henry Drayton:

Q. Mr. Kyte said it was not your own opinion?—A. That is right.

Q. You simply took what Mr. Archibald told you?—A. Yes.

Q. So you cannot give me any information as to that? (No audible response).

Q. At that time were there any specific tenants in sight?—A. At what time do you refer to, Sir Henry (Drayton)?

[Major G. A. Bell.]

Q. In September?—A. No. I had not approached anybody or talked about it until we got possession of the building. That would be in December or January.

Q. What was the sum of Aronovici's claim at that time?—A. As set out in the statement which has been submitted.

Q. You did not pay him all he asked?—A. I beg your pardon?

Q. You did not pay him all he asked?

The CHAIRMAN: You asked for the sum of his claim.

Sir HENRY DRAYTON: I asked for the sum of his claim; not what they paid him.

The WITNESS: He was standing on his contract.

By Sir Henry Drayton:

Q. That would entitle him to 10 per cent?—A. Yes.

Q. 10 per cent if sold in the first five years, and 20 per cent if over the first five years?—A. Yes.

Q. Did he want anything beside that 10 per cent at first?—A. No.

Q. The other smaller payments which were made would be all included in that 10 per cent?—A. We did not discuss those at the start at all.

Q. So his first broad claim was 10 per cent?—A. Yes.

Q. You got rid of that— Have we got the actual sums yet? I think in some instances it was money banked to Aronovici, if I remember rightly. Have you got it definitely now?—A. I don't know what you refer to Sir Henry (Drayton); I gave you the statement the other day.

Mr. KYTE: I think perhaps you had better put it down again.

The CHAIRMAN: Give exactly what you paid Aronovici and what it was for. Can you do that.

The WITNESS: Aronovici was paid \$2,600,000—at least he was not paid that; we took up the notes. I will give you the notes. The whole cost up to date as of April 30th; purchase of property 28,000,000 francs; registration fee, 3,360,000 francs; registration of mortgage, 750,000 francs; Delay holder of option, 600,000 francs.

By Sir Henry Drayton:

Q. "Delay, holder of option"?—A. 600,000 francs; Grand Café, 3,710,000 francs; draft on Bankers' Trust, 20,000 francs; legal fees 60,000; taking up option on purchase 1,735,000 francs; payments to architects, 192,626 francs; Jockey Club, on account of dispossession—that is on account—212,950 francs; cash in hand, 1,720,000 francs; total 40,360,576 francs. That "cash in hand" I explained the other day, Sir Henry (Drayton). Part of that may have been paid out since, and no doubt has been, in connection with this, but that was the total amount that was remitted—forty million—odd francs was remitted in connection with this transaction and that is how it has been disposed of up to date.

Q. In other words, that is the whole amount available?—A. Yes, sir.

Q. Now, let us get back to that item of 600,000 francs. Tell us about that, please?—A. Delay is an architect in Paris and he had an option on this building which I understand Aronovici paid 600,000 francs for.

Q. I wonder if we can get to understand that. Had Aronovici given Delay an option on the property?—A. I understood that when we took over the property Delay had an option of some kind, which Aronovici had to buy up.

By Mr. Kyte:

Q. From the original owners?—A. Yes.

[Major G. A. Bell.]

APPENDIX No. 5

By Sir Henry Drayton:

Q. From the original owners?—A. Yes.

Q. And you have already told us you cannot say anything about the original owners, so I suppose you did not go into that yourself—the question of 600,000 francs?—A. No, but this amount was checked by Mr. Archibald's office.

Q. Did you go into that yourself?—A. No, only to have Mr. Archibald say that he personally—or one of his men in his office—checked all these things saw the notarial deeds in order to see that the amount had actually been paid.

Q. All that does, of course, is to give evidence of the fact that a payment was made. As to the question of rebates or anything of that kind, you would not get that from that evidence?—A. No.

Q. Then who got the benefit of the 1,735,000 francs for taking up— —A. was transferring some of the funds; the ordinary banking charges.

Q. That was the bankers' charge for the cost of transfer?—A. Yes.

Q. Then who got the benefit of the 1,735,000 francs for taking up—A. 1,735,000 francs as far as we are concerned. Aronovici claimed to have paid out the larger portion of that for other things. We would not acknowledge that at all.

Q. Has he got it?—A. He has got that. That is a commission of 1,735,000 francs in lieu of the 10 per cent. This amounts to about 5 per cent.

By the Chairman:

Q. Does that include all he got for his services?—A. Yes.

Q. That is the net amount after taking into consideration the expenses he had incurred?—A. That had nothing to do with his salary; this is in connection with the building.

Q. This is what he got for his services?—A. Yes.

By Sir Henry Drayton:

Q. Then, Major, in connection with your investigation, did you ever ascertain whether that property had been offered to others in Canada?—A. I have heard that said, Sir Henry, yes.

Q. Did you ascertain the truth of the rumour?—A. No, because it was of no value. May I just tell you frankly what it was? I understand that that was offered to the Canadian Pacific Railway some three or four years ago. That was immediately after the war, they had no firm offer, had no option on the building as has been stated, and it was at a time when property was very very low, just at the tail end of the war.

Q. Your information is that the property was offered to the Canadian Pacific Railway in what year?—A. 1919 or 1920.

Q. 1919 or 1920?—A. Yes.

Q. And at what price was the property offered to them?—A. I have not that information.

Q. You have not that information. You then said that they had not an option or any firm offer on it.—A. No, they had not.

Q. Who told you that?—A. I had been advised to that effect.

Q. Who told you that?—A. I was advised that Sir MacLaren Brown said that they never had an option on the building.

Q. Advised by him he had said that?—A. No, I did not say that. I said I had been advised that he stated that.

Q. That is what I asked you?—A. I told you I heard it.

Q. Who told you?—A. I heard it in London and I heard it in Paris.

Q. Can you tell me who gave you the information?—A. Yes, I can tell you one who gave me the information; Mr. Dalrymple was one.

[Major G. A. Bell.]

Q. Anybody else?—A. Yes, there were others; I have forgotten whether it was Mr. Phillips or Mr. Young. Mr. Darymple did tell me.

Q. Did you see any of the Canadian Pacific officials?—A. No.

By the Chairman:

Q. Have you actual knowledge that the offer was made to the C.P.R.?—A. No, it is all rumour, altogether.

By Sir Henry Drayton:

Q. You only have what you were told by these people?—A. Yes.

Q. Do you know anything about the offer of 40,000,000 francs?—A. Yes.

Q. That would be—what is the exchange to-day, about five cents?—A. Working it out the day the cable came, which was about a week ago, it worked out to approximately \$2,200,000, Sir Henry. That was within \$1,000 of it, anyway.

Q. That would be at the rate of about 5½ cents, would it not?—A. Yes, about that. It was taken at the rate of exchange of that day.

Q. Five cents was what you mentioned in your evidence earlier this morning.—A. That was only part of it. There was an addition to the \$2,200,000; there was free spaces in the building.

By the Chairman:

Q. Anything definite as to how much that would be.—A. No, we have cabled for that, and for the length of time it would be good.

By Sir Henry Drayton:

Q. Can you tell us who is making the offer?—A. All I can tell you is that Mr. Archibald said, "A reliable group in Paris." It came from him without any enquiry on our part.

Q. Are you taking any action at all in connection with the offer?—A. The Chairman would. I was there when he received the cable.

Q. I suppose that is with a view of getting particulars and seeing what can be gotten out of it?—A. Yes.

Q. Then is it true that we have no title or papers here to this property?—A. They would all be in Paris. The head office of the new company is in Paris, and they would all be in our solicitor's office there.

Q. Did you see Aronovici when he was out here at all?—A. I saw him twice, in a social way both times. Once when he was in Ottawa, when he first came out, I met Sir Henry (Thornton) at the Club and he told me he was having him for lunch; he had just arrived, and Sir Henry asked me if I would bring him up as he had to keep another appointment. I brought him up to lunch, and he left right after. The next time I saw him was in Montreal at a dinner, just to shake hands.

Q. Did you or did you not have an opportunity to discuss this hotel matter with him?—A. No, no discussion in any shape or form.

Q. Then, Major, what were the factors that you were considering in connection with express and money order business.—A. What were the factors?

Q. Yes.—A. I enquired from our people over there in Paris and France, and everybody seemed to be of the opinion that we could open up an express money order business, ticket office and so on there that would return handsome profits.

Q. Have you any idea what the money order business of the Canadian Pacific is?—A. No.

Q. They have practically a monopoly there, I suppose, at the present time?—A. Oh no.

Q. So far as we are concerned?—A. No, a great many people who go from New York deal through the American Express Company.

APPENDIX No. 5

Q. I am speaking of as far as we are concerned. We have not any agency there; we are not selling these things now.—A. No.

Q. Besides that, of course, the banks do far more of that work than any express company?—A. Yes. Probably the American Express does the largest business in Paris.

Q. That is, of any express company?—A. Yes.

The CHAIRMAN: We do not do any now at all.

Sir HENRY DRAYTON: No, we do not do a single bit of it there.

Q. Then, as to the express business, apart from the money order business, do you have any data on that?—A. The express business?

Q. Yes.—A. No, only the information I had from our traffic people; that is all. That was not in my line at all; I took the advice of the different experts.

Q. I was just asking what data you had, that was all. It is a perfectly reasonable question.—A. Yes, but I am explaining that I am giving the opinions of others, not my own opinion.

Q. That is the way we find things out, whether the opinion is direct or whether it is not. I do not think I will bother any more, Mr. Chairman. We will get that evidence as to the exact amount of payment.

By Mr. Kyte:

Q. You were Vice-President of the Canadian National?—A. I was Vice-President, but I resigned about the end of May, at the May Board meeting. I am named in the estimates as Government Director.

Q. At the time of this transaction, what was your position with the Company?—A. I was Vice-President when that \$200,000 was forwarded, and I resigned about the 21st of May, I think, at the May Board meeting.

Sir HENRY THORNTON: It was May 21st, I think.

The WITNESS: On the 21st of May I tendered my resignation, or rather I tendered it some time before then, and it was accepted at the May Board meeting.

Sir HENRY THORNTON: It was the third Monday in May, either the 21st or 22nd.

By Mr. Kyte:

Q. When you went to Paris, I suppose you went to consult with the solicitor, Mr. Archibald, as to the transaction, did you?—A. When I went to Paris, I went over with a free hand from Sir Henry Thornton to look into the whole matter and deal with it, communicating with him, of course, if there were any serious steps to be taken.

Q. To look at the whole matter; will you please be a little more definite as to your instructions.—A. There had been a great deal of criticism in the papers, references to the Scribe Hotel; everybody spoke of our Paris property there as the Scribe Hotel. Sir Henry Thornton asked if I would go over and go into the whole matter personally and report on it.

Q. And you went into it with Mr. Archibald, your solicitor?—A. Mr. Archibald and Mr. Brown, our solicitors in London, and our people generally in both Paris and London. Quite often, for instance, with our officials in London, in developing information and asking about certain things, I did not tell them it was leading up to the Paris property. I just wanted to gather certain information.

Q. And from the information you received from all those parties, was it your impression that you got the building at a fairly reasonable price?—A. I will answer that in another way. I left Canada for Paris with the idea that it

[Major G. A. Bell.]

was a pretty extravagant building, not knowing the building, and the amount of \$2,600,000 seemed a lot. I am satisfied now that we will not lose any money on the building, and stand a chance of making a fair profit.

Q. That was your opinion after you left Paris?—A. Yes, and that is my opinion to-day.

Q. I do not know if you cleared up exactly the point made by Sir Henry Drayton the other day. The Minister of Railways stated there was \$2,000,000 paid for the hotel, whereas as a matter of fact the deposit in the Bank of Toronto was \$2,608,000.—A. I think that was a misunderstanding of the information that was asked for. I telephoned Sir Henry Thornton and asked him what he had paid for the property. He gave me the cost of 30,000,000 francs. I did not ask him anything about the registration fee or anything of that sort; I did not know anything about it, and I suppose he took it for granted I just wanted the price of the building. I translated that into dollars, and it was approximately \$2,000,000. Then I said, "How do you provide this?" and he told me the way the Bank was advancing the money to Aronovici, and the railway had arranged to deposit an amount equal to it in the Bank of Toronto at Montreal. I presume he thought that I was only referring to this. When the Minister was asked on the floor of the House what we had paid for the building, I told him approximately \$2,000,000 and he gave that information to the House. Then I explained to him how that was covered, not knowing about the other, and when he was asked—I think it was Sir Henry Drayton asked him—he explained it. Neither of us knew about the balance, and as a matter of fact I do not suppose Sir Henry knew we were inquiring for the balance at that time. It was a few days later, or probably some weeks later, that I saw the letter.

By the Chairman:

Q. You speak of the original price being 30,000,000 francs.—A. It is 28,000,000 francs, but in the option, you see, they did not know exactly what they were going to get; it was not to exceed 30,000,000 francs. 28,000,000 francs was the actual amount paid, but we might have gone as high as 30,000,000.

By Mr. Kyte:

Q. All the documents in connection with this purchase are in the hands of your solicitor in Paris?—A. Yes.

Q. Is he the proper custodian for these documents?—A. Yes.

Q. There is no reason why they should be in the offices of the Canadian National Railways in Montreal?—A. No; it is a French company, where the papers must be open for inspection by the French Government for taxes. We might bring copies over, but we would not be allowed to bring the originals out of France, I do not think.

Q. Sir Henry Drayton, speaking of Aronovici, expressed the opinion that you desired to get rid of him. That contains the imputation that you found Aronovici was dishonest in some way, in relation to the transaction. Is that the interpretation you put upon the phrase "get rid of"?—A. Possibly you had better let me give you my opinion of Aronovici. Aronovici is a very enthusiastic type of chap, with unlimited energy, and if he were under somebody to hold him down, I think he would be very very valuable. Leaving him to himself, I think he is far too extravagant a man; he is apt to look away into the future, possibly a little beyond what we could afford, and on these grounds I think it would have been a mistake to have kept him. Under another man he probably would be very very valuable.

Q. You have no reason to think he was dishonest?—A. No, I cannot make the charge of his being dishonest.

[Major G. A. Bell.]

APPENDIX No. 5

Q. So when you state you wished to get rid of him in respect of this transaction, you felt that if Aronovici could make money out of this building there was no reason why the Canadian National Railways should not be substituted for him and make the money itself?—A. Yes, and I felt if we had the hotel in the building it would be a detriment to us unless we had some pretty strict control of it.

Q. These photographs, when did you obtain them?—A. I have seen duplicates of these; they were brought up from Montreal to-day.

By Sir Henry Drayton:

Q. These are out of your filing cabinet, by the look of them. What is the significance of the numbering in the corners?—A. I presume to identify them.

The CHAIRMAN: Are there any further questions to be asked of Major Bell? Does that conclude everything but the information Sir Henry Drayton desires?

By Sir Henry Drayton:

Q. I wonder if Major Bell can read this sign at the top of the picture? He probably knows what the sign says?—A. It is just an ordinary sign advertising the railways.

Q. Let us have what it is.—A. It is not very clear to me, Sir Henry.

Sir HENRY THORNTON: Perhaps I can make it out. I will translate it. "Exhibition of the products of Canada. Mines, forests, agriculture——" and the other word is obscured. "Canadian National Railways." Those words I have given you are the ones I can make out; the rest of it is not plain.

The CHAIRMAN: It is not of vital importance anyway.

Sir HENRY THORNTON: It is a sign put up for the purposes of advertising, that is all.

The CHAIRMAN: Now, what do you wish to proceed with next? The statement of the National Railways? You have on page 5 a summary of the statement.

Sir HENRY DRAYTON: Of course, we are not yet finished with the Scribe Hotel.

The CHAIRMAN: I understood you were through, Sir Henry, and I have asked other members of the Committee if they wished to ask any questions, and none did.

Sir HENRY DRAYTON: I do not know whether the Minister of Railways wants to make any statement before it is closed.

The CHAIRMAN: I suppose if he does he will say so.

Sir HENRY DRAYTON: Nor do I know whether the Premier wishes to say anything.

Hon. Mr. GRAHAM: I think everything has been said that needs to be said.

Sir HENRY DRAYTON: And Mr. Ruel is to be called, too.

The CHAIRMAN: In the meantime, are there any witnesses here to-day who should be called?

Sir HENRY DRAYTON: Not that I can think of.

The CHAIRMAN: Then shall we take up the statement next? I think each member of the committee has a copy of it, and on page 5 we have a summary of the whole statement.

Mr. STEWART: May I ask if it was understood that a request I made two or three days ago was to be complied with, as to a return for at least one voyage of a grain boat on the Great Lakes?

[Major G. A. Bell.]

Sir HENRY THORNTON: Yes, I remember that question, and that will be given to you to-morrow.

Mr. STEWART: I just wanted to make sure it was not overlooked.

Sir HENRY DRAYTON: Does this photograph give us the frontage? It is marked on here, 185 feet frontage on Rue Scribe, and 106 feet on the Boulevard.

The CHAIRMAN: Unless there are any objections, I would suggest that we go on with the National Railways statement. In connection with the Merchant Marine, Sir Henry Thornton made a preliminary statement, and I do not know whether he would care to follow the same procedure in connection with the railways or not.

The witness retired.

Sir HENRY THORNTON recalled.

The WITNESS: Mr. Chairman, I think any general statement which I might have to make would not add to what has already been said in the annual report.

The CHAIRMAN: Very well, we will go ahead and questions may be asked as we go along. The first section deals with the mileage. Is there any question in regard to that? That speaks for itself. The next is, "Revenue." I notice in an item in connection with the revenue, the third one dealing with mail contracts shows a slight decrease. Did the Government cancel some of the mail-carrying contracts with the Canadian National?

Sir HENRY DRAYTON: It was caused by a slight rearrangement of rates, an Order in Council passed about 18 months ago.

The WITNESS: That was due to a rearrangement of the rates, as Sir Henry Drayton points out.

By the Chairman:

Q. Sir Henry, I might ask you a question; does the Canadian National Railway get as much of the mail business as the Canadian Pacific Railway?—A. No, we do not.

Q. Are you satisfied with that condition?—A. No, I am not.

Q. I do not think you ought to be. Do you know what the difference is?—A. Well, my feeling—and this is only my personal opinion as an officer of the Canadian National Railway system—is that the Government ought to proportion the payment for mail services on the basis of the mileage of the respective systems. We are not getting, on that basis, our proportion.

Q. Might that possibly not be caused by old contracts that have not expired?—A. It might be. We have that whole question up now, with a view to securing a larger proportion of the mail contracts.

Q. Do you know what the total amount is, that is paid by the Government to the two railway systems?—A. No, I cannot tell you that offhand, but it is not difficult to get.

Q. But you do know that the National system is getting less than the Canadian Pacific Railway?—A. Yes, and I am not satisfied with that distribution.

By Mr. Stewart:

Q. Are the charges the same?—A. Yes, broadly speaking, the basis of payment is the same for each company.

Q. Is the National system getting as large a proportion now as the railways which now form the Canadian National system were getting before they were taken over?—A. Yes, I should think that question could be answered in the affirmative.

[Major W. A. Bell.]

APPENDIX No. 5

Q. It is not a Government discrimination against the Canadian National, but something which existed prior to the amalgamation?—A. I would not say it was discrimination on the part of the Government or anyone else, but it is simply a condition which has developed. This decrease is due very largely to the change in the rates, but I feel that we ought to have a larger proportion of the total mail contracts than we are getting to-day. In fact, it would be a dangerous thing to be satisfied at any time, no matter what our proportion was. The only way in which you can get what you want to have is to keep reaching for more.

Q. Can you give us an idea of any contracts which you could handle, giving equal service with the Canadian Pacific Railway?—A. I could not give you that offhand, but we have some contracts of that character, and we have that question up now with the Post Office Department, with a view to increasing our proportion.

By Mr. Milne:

Q. How are the rates determined, by the Railway Commission?—A. The Postmaster General, I think.

Q. There is no competing for the contracts?—A. No, nothing of that sort involved. There is no intention, I may say, or desire on the part of the Government to discriminate against the Canadian National Railways, nor is there any desire, I think, on the part of the Government to unduly favour the Canadian Pacific Railway. I think, as far as my observation goes, the Government is trying to be fair in the matter, but we want to show them how they can be a little more fair.

By Mr. Stewart:

Q. If you were on a mileage basis, your mileage would entitle you to more business?—A. That is the theory I would like to go upon, and that is the theory we are intending to go on.

By the Chairman:

Q. The present condition is probably due to a continuance of the old system which was in force before the railway were amalgamated?—A. Yes.

By Mr. Gauvreau:

Q. And the old companies did not get as much business as the Canadian Pacific Railway?—A. Yes; we have that up now, and I want to have a meeting with the Minister within the next few days to push the thing still more actively.

By Mr. Mackinnon:

Q. Are the contracts let by competition?—A. No, I think it is merely an assignment of services on the part of the Postmaster General. He is the sole arbiter.

By Mr. Kyte:

Q. Is it not a fact that private companies subsidized by the Federal government received the subsidy on the condition that they carry mail for a nominal amount and this is outstanding?

Major BELL: Sir Henry would not know about that. That is the old subsidy contract, under which they have to refund an amount equal to three per cent of their subsidy.

By Mr. Mackinnon:

Q. Would that not account for the smaller amount paid to the Canadian National Railways for carrying mails having regard to the fact that the Canadian National is made up of companies which were subsidized under that?

Major BELL: No.

[Sir Henry Thornton.]

The WITNESS: This decrease is almost entirely due to readjustment of rates; Sir Henry Drayton stated the case exactly a few moments ago.

By the Chairman:

Q. The next item there, "freight," shows an increase of nearly \$15,000,000. Would you care to make any comment on that, as to the reason for the increase?—A. There was an increase in total freight, I think, of approximately 9,000,000 tons, and that was divided as follows. I am only giving round figures, so they may not exactly check when added up. There was an increase in wheat of substantially 1,000,000 tons; an increase in anthracite coal of 1,000,000 tons; an increase in bituminous coal of 3,150,000 tons; an increase in products of the forest, which is to say lumber and pulpwood, of 2,100,000 tons, and an increase in manufactured articles of 1,100,000 tons. These represent the principal items of increase, and I should say that these increases were partly the result of increased production in Canada. We had an extremely good crop last year, as you are aware, which apparently stimulated a good deal of freight. The increase in coal was due very largely to large shipments, abnormal shipments, early in 1923, as the result of the coal strike; dealers were catching up with their supplies, and I think it is also fair to say a certain proportion was due to increased activity in soliciting, and an increased condition of alertness, not only on the part of our freight solicitors, but on the part of the whole of the men employed in the service of the company. We are endeavouring to not limit the solicitation of freight to the freight department; we are trying to make every man who is in the service of the company a potential freight solicitor, although that may not specifically be his duties, the theory being that if you can bring to bear in the soliciting of freight the concentrated efforts of all your men, you will necessarily get better results than if that activity were limited simply to the traffic department. The rank and file of our men and officers have responded very generously to that request, and we are getting a good deal of business in that way which we perhaps did not get before. A certain amount of it is also due, I think, to improvement in services and a general better feeling on the part of the public of Canada with respect to the services which the company is rendering to the public. All of these things taken into consideration account for this material increase.

Q. I suppose that would apply to passenger traffic also?—A. In the same way, exactly.

By Hon. Mr. Graham:

Q. This is not particularly material, but it is of interest. Our gross earnings are dropping off this year; that is public now. Is that due in measure or altogether to the falling off of business on our American lines, or partly the Canadian lines and partly American? I have two reasons for asking that. One is that the increase in traffic, or the decrease, might be an index to the prosperity of Canada. The other is that if it were in the United States where the decrease has taken place, that might be attributable in a measure at least to the Presidential election, when our friends over the line usually stop everything, and which hampers business. I will be asked the question in the House why our traffic receipts are falling off, and I would like to know.—A. That can be explained in this way. It is partly due—in fact probably largely due to a falling off in business on our American lines. As the Minister has pointed out, this is a Presidential year in the United States, and most manufacturers reduce their activities until they know, or think they can foresee, who their respective candidates will be, what the prospects of the election will be, and from that they deduce what may perhaps be the tariff policy or other policies in the way of legislation which would affect their business. It is a well-known fact that

APPENDIX No. 5

in the United States, in a Presidential year, business marks time until they can foresee with some degree of clarity what the policy of the government, as it affects industrial activities, may be. In addition to that there seems to have been some over-production in the automobile business, and of course that affects us particularly, because our most profitable American mileage is that mileage which serves Michigan and northern Indiana and Chicago. The towns of Detroit, Pontiac, Lansing, and South Bend, Indiana—at which point are located the Studebaker works—are points where a large number of automobiles are produced annually. The Ford plants at Detroit, when running full, have a capacity of about 7,000 cars a day. Now, I think it is about perhaps half that but there has been a distinct slackening in the automobile trade throughout Michigan. Just how much of that is due to the Presidential year, and political conditions, and how much of it may be due to over-production, it is difficult to say, but it is showing signs of recovery, and the advice which we now have is that most of the automobile factories from whom we derive a large proportion of our business will be running full time about the first of the month, and the car loadings are showing considerable improvement. Any slackening of business or business depreciation in the United States, of course, affects our gross earnings materially, because we have a large amount of mileage in the United States which is ordinarily very productive.

By the Chairman:

Q. Would you say it is more productive, generally speaking, than the part in Canada?—A. It is very profitable, there is no question about that. It is a more lucrative mileage.

By Hon. Mr. Graham:

Q. Of course they have a greater density of population, over there.—A. Yes, of course. There has also been a hesitation, perhaps I can put it no higher than that, on the part of the manufacturing institutions in Canada, particularly in the province of Ontario. Just what that is due to I am not prepared to say, but there has been a distinct reduction in our loadings for manufactured products in the province of Ontario, and practically, of all our reductions in gross earnings, by far the larger proportion of it has occurred in what is called the central region, the region which serves the province of Quebec, the province of Ontario, and Michigan. On the other hand, business in the western region has shown a material improvement, and there was about three times as much grain in the West to be moved out before the new harvest comes in than was the position a year ago. So, as far as the transportation business is concerned, we have been in better shape in the West than in previous years, and proportionately in better shape than in Ontario and Quebec and other parts of the country.

Q. May I ask if you care to give an opinion as to whether the maintenance and operation of those parts of the National system in the United States are of vital importance to the success of the whole system?—A. There may be some questions which you would like to ask and upon which you would like a frank opinion. I think those questions could be better answered if you went into executive session.

Q. I thought you would not have much difficulty in answering that, because my own opinion is that they are of vital importance.—A. I do not want to say publicly that they are of vital importance, but I should say they are a very material factor in our earning capacity. It would be with the greatest reluctance that I would say anything which might result in our losing that traffic, because you have to remember that not only do these lines in themselves produce considerable traffic, but the Grand Trunk Western reaches the very

[Sir Henry Thornton.]

important gateway of Chicago. All the railways of the west centre at Chicago. We have a large interchange business with these railways; we have a large dressed meat business out of Chicago, and it is a very important gateway, and if we were denied access to that gateway, while perhaps it would not be a vital thing, it would be a serious thing to contemplate.

The CHAIRMAN: I think that is a fair answer.

By Mr. Stewart:

Q. May I ask another question, as to the effect of the reducing of the rates, whether that helped to swell the increase?—A. Is your question this, will any contemplated reductions in 1924 increase the gross earnings?

Q. Yes.—A. I cannot conceive of such a condition. You can have it either way you like; lower freight rates and more taxes, or vice versa.

By the Chairman:

Q. Do you not think that lower freight rates would stimulate business and give you more business?—A. I would not want to advocate a reduction of rates, unless they were such as would throttle the industrial life of Canada. That would be silly. You may say that, broadly speaking, the freight rates which are imposed upon Canadian products are less than those of the corresponding railways in the United States, and I can only say that if you reduce the freight rates I cannot see how you could avoid increasing the deficit, whatever that may be.

Q. Last year, were the rates reduced?—A. Yes, they were reduced. I am speaking from memory, but I think the reductions last year meant about \$7,000,000.

By Sir Henry Drayton:

Q. I thought that covered not only the reductions of last year, but those of the year before as well?—A. Probably they did; they became effective last year. "This decline has seriously affected the net returns of the National system. The difference in rates over the two years represents a loss in net revenue of \$7,000,000". That includes whatever has been brought into effect in the last two years.

Q. You are going back to the coming in of the Crowsnest Pass rates there?—A. Yes, that is right.

Q. How much of that was due to the Crowsnest Pass rates? The calculation was between \$6,000,000 and \$7,000,000 for the Crowsnest alone.—A. We can get that; it would be substantial. Have I answered your question, Mr. Mackinnon?

By Mr. Mackinnon:

Q. It is answered, but not to my satisfaction. You know that in the past many shippers were prevented by the high rates from shipping their products.—A. I was speaking of the future, when I said that I should reluctantly see any further reductions brought into effect. What has been, has been, and I do not see how we can get away from that.

Hon. Mr. GRAHAM: The Board of Railway Commissioners has control of the rates.

Mr. MACKINNON: They look after the capital of the country, and not the producer.

The WITNESS: There is a point beyond which, if you raise the freight rates, you destroy the business. It is a matter of judgment and experience to say when that point is reached.

APPENDIX No. 5

By Sir Henry Drayton:

Q. You are quite right in part of what you say about our rates being lower. My recollection is that they are not lower compared to the Central Freight Association territory; in other words, that the rates in Ontario and Quebec are not lower than those in the Central Freight Association territory.—A. I was speaking generally.

Q. That situation may have been changed, but the whole reason for the international freight rates case was the materially lower rates over there.—A. So far as grain rates are concerned, and that represents of course a large proportion of our traffic, the grain rates in Canada are materially lower—I should think at least 10 per cent or perhaps 15 per cent—than the corresponding points south in the United States.

By the Chairman:

Q. Does that apply to other commodities?

By Sir Henry Drayton:

Q. If you were to take the crop the railways actually moved last year, and arrive at the average length of haul, which can easily be done and has been done—the records of the House show it—and apply to that same haul the American rates, the rates at which the grain producers of the western prairies had their grain moved, you will find that it cost them \$33,000,000 more than had it been moved in this country. But the reason was not that our regular freight rates were lower, but that we put in an old statutory rate. Of course, the fact remains that there is a very very great difference; there is that difference there, we all know it.—A. Do not understand that I am criticising the present grain rates; I am merely stating the effect. One of the fundamental factors of the whole proposition is that we must charge such a rate for the movement of grain as will enable our farmers in the west to advantageously market their products in the markets of the world. That is so obvious it hardly needs any discussion.

By the Chairman:

Q. Is it true that the rate on other commodities is lower than in the United States?—A. I could not answer that directly, but certainly I do not think that you will find that we are charging excessively.

By Sir Henry Drayton:

Q. The rate systems of British Columbia and Alberta compared with the rate systems to the south, are lower. In British Columbia and Alberta the railways moved—speaking from memory, and Sir Henry Thornton can check me if I am wrong—about 85 per cent on commodity rates. They have some higher class rates, but the traffic, taking it as it actually moves, the effect is that the railways are operating in the western territory at a lower rate than those to the south. There is no dispute about that.—A. That is correct, but might I add this amendment, that of course in the western country the grain movement represents by far the biggest volume of our traffic.

Q. Yes, we have the percentages here, I think.—A. It amounts to about 49 per cent of our total traffic.

Q. I think it is more than that.—A. I am told about 60 per cent.

Q. My recollection is 62 per cent.—A. It represents a very large proportion of the total traffic.

By the Chairman:

Q. Sir Henry, could you say to what extent the revenues of the National Railways would be reduced if the balance of the Crowsnest Pass agreement came into force?—A. Yes, I could say it, but I would rather not.

[Sir Henry Thornton.]

Q. Very well. It would be quite material, would it not? You have just said the great bulk of your traffic consists of grain.—A. There is another aspect of the Crownsnest Pass matter which is entitled to certain consideration, and that is that if the Crownsnest rates are fully restored, my traffic people advise me that it is going to create pretty serious obligations with respect to the whole rate structure in other commodities. That may or may not be a factor or a strong argument, but the problem with the rate structure is that it is like the tearing of a fabric. When you pull one thread in one corner of the piece, you are likely to disturb something in the other corner, which may have far-reaching effects.

By Sir Henry Drayton:

Q. You have to leave them up in the air?—A. Pretty much. I can only say that it is like a piece of fabric; if you pull one thread it disturbs the other end of the piece, which you cannot foresee.

Q. Take the rates in Ontario on dairy products; I take that because it is the chief farming activity of Ontario; the rates on butter and cheese and eggs were increased during the war by something like 80 per cent, 81 per cent, and 82 per cent, and they are still there. The company wanted to reduce them, but they have not been able to on account of the Crownsnest Pass business.—A. There is also another factor to be considered, and that is that the price of materials and the price of labour has not fallen materially. Those represent, of course, by far the largest items of our expense.

By Mr. Mackinnon:

Q. In the Maritime Provinces, would it be fair to charge the price of a bushel of potatoes for carrying two bushels from Charlottetown to Sydney? To charge the price of one bushel for taking the other bushel down; would that be fair?—A. That is a difficult question to answer without knowing further details.

Q. I am only putting the general proposition.—A. I should say if you were charging a freight rate which would be, according to your hypothesis, 50 per cent, it would be a heavy charge, although perhaps the margin in the business might be sufficient to permit that.

Q. That is only an illustration. Take the shipments that came from the Maritime Provinces, shipments of dairy products and other produce, to Ottawa and Toronto; that has ceased now. They cannot afford it, they cannot pay the freight rate. That has affected the Maritime Provinces a good deal. You used to be able to go down to the business houses here and buy a carload of produce from Prince Edward Island, something in the line of vegetables or butter or cheese, but you cannot do it today.

SIR HENRY DRAYTON: The chief trouble about raising rates has been to get away from the idea that the original purpose of the railway was to permit free interchange of products. Some of the rates are pretty high.

MR. MACKINNON: The tariff has hit the Maritimes pretty hard.

THE WITNESS: The United States tariff on potatoes has hit the Maritime Provinces hard, and that had more to do with the whole situation than freight rates, I think.

By the Chairman:

Q. You have an item headed "Miscellaneous" there, I see nothing about express revenues. Is that included in that?—A. No.

By Sir Henry Drayton:

Q. I wonder if we could have, at the next session, information as to rates in the Central Freight Association territory as compared with Ontario and Quebec.

APPENDIX No. 5

Of course, I realize that you have to get your money somewhere, and I realize that the western region last year had to make up the deficits in all the other regions.—A. The Central Region—?

Q. —had to make it up for the others. What was it, \$16,000,000 or \$18,000,000?—A. About that; that is close enough.

Q. To my recollection that is what it was.—A. \$16,000,000.

Q. Then besides that we also had a surplus on the Chicago end?—A. That includes Chicago.

Q. Then that \$16,000,000 had to carry the deficits for the rest of the country. I realize that possibly we will have to go on carrying these deficits to some extent, but when our traffic in central Canada is subject to such a grave disproportion, in regard to the system as a whole, we should at least find how we stand in connection with the competitive lines to the south.—A. Let me see if I understand your question. You want to know—and I suppose you will have to put it on a ton-mile basis, so that it would compare—how freight rates in the central territory in the United States compare with the rates that we are charging in the central regions?

Q. In Ontario, yes. For example, take the packing house products originating in Chicago, which move at a commodity rate; then take packing house products originating in Toronto or Hamilton. Or take a steel product which also moves at a commodity rate originating in the western States; what is the percentage? We had at one time a practical equality of treatment in some of the classes; in some of them we never could approach their rates at all.—A. Yes, that is true.

Q. We had no reductions in Quebec and Ontario except those very slight ones which we got out of the remnant that was left to the general public as the result of the Crowsnest rates case of over two years ago. I think there was a reduction which might average six; it was supposed to be seven, but when you applied it all over it would make about six and a fraction.—A. We made a reduction in milling and transit rates.

Q. There was an order of the Board on that, an order of the Railway Board which compelled the milling in transit privilege to be put in in eastern Canada as well as in western Canada?—A. Yes, that was in effect, May 22nd, 1923.

Q. I do not know whether that was really a good thing to do or not, and I would not say it was. There are arguments for and against it. We used to figure on the percentage of traffic, and this would apply particularly in the Maritimes, where they produce chiefly articles which move on commodity rates. With the exception of one thing, I think almost all the products of the Maritimes move on commodity rates. I would like to know what the percentage is of commodity rates. I know what it used to be.—A. You would like the percentage of freight in the Maritime Provinces that moves on commodity rates, and the percentage that moves on class rates?

Q. Yes. Then I think it would also be a good thing if we could have something to show what a grain train costs.—A. That we can give you.

Q. What it costs to run a train; put it any way you like.—A. I think that will probably develop as we go farther. Perhaps you might wait and see if that information does not emerge; if it does not we will provide it.

Q. If you have it ready it would be easy to take it now.—A. Do you want it now?

Q. No.

By Mr. Stewart:

Q. Have you the figures there which would show us the total amount of grain that took the all-rail route to the seaboard last year, as compared with the year before?—A. No, we have not that.

[Sir Henry Thornton.]

By the Chairman:

Q. There is an item there "Miscellaneous." I see nothing for express business revenue, Sir Henry (Thornton). Is that included in miscellaneous?—A. That includes excess baggage, sleeping car, parlour and chair car rates. It also includes express, milk trains, switching, special train service, water transfers, dining and buffet cars, hotel and restaurants, station, train, and boat privileges, parcel rooms, demurrage, grain elevators and a lot of miscellaneous things of that character.

By Sir Henry Drayton:

Q. That is set out in a supporting schedule?—A. Yes.

Q. What page?—A. Page 18.

By Mr. Kyte:

Q. In respect to the transfer of money: is your express company suffering any handicap as compared with the banks, arising out of the stamp tax?—A. I don't think I can answer that offhand, Mr. Kyte.

Q. I discussed that with an official of your company the other day and he said that in the matter of transferring money by the express companies, the banks are able to transfer the money from one branch to another branch, or into the United States, and are exempt from the stamp tax, whereas the Express Company has to add a stamp tax to it. I would like to get the particulars of that.—A. I will get that information for you.

Q. I am led to believe it has reduced the express order business very materially?

SIR HENRY DRAYTON: I am afraid that is one of the instances of these improper forms of taxation which the Government delight in.

THE CHAIRMAN: Order.

MR. KYTE: You mean which the Government inherited?

SIR HENRY DRAYTON: No, we had not multiple taxation.

HON. MR. GRAHAM: I think I have heard it said ours does not pyramid so rapidly.

THE CHAIRMAN: Shall we go on with the expenses and make some progress?

HON. MR. GRAHAM: May I interject a question there?

THE CHAIRMAN: Yes.

By Hon. Mr. Graham:

Q. It is in regard to this item of expense. You have your officers here, Sir Henry (Thornton). Take the "Maintenance of Way and Structures" and "Maintenance of Equipment." These items on the face of them show a decrease in 1923 from 1922. Unless there be some explanation, you would be open to the charge that you were spending too little on these items, in comparison with other years. I think if we had the statement of these in comparison and explanation now, it would be perhaps the best thing we could have in general on these lines. I will be asked questions in the House concerning these, and I want the answer on file from headquarters, and I think the House would be better satisfied if we had something on record here from the Canadian National Railways, than any explanation I could give them second-handed.—A. I think the best way, if you want to take that up, would be to go through the different items under the general heading of "Maintenance of Way and Structures" and "Maintenance of Equipment."

By Sir Henry Drayton:

Q. That is on page 19?—A. Yes.

[Sir Henry Thornton.]

APPENDIX No. 5

By Hon. Mr. Graham:

Q. May I interpolate right there? Is the accounting system of the Canadian National Railways the standard one adopted and insisted upon by the Interstate Commerce Commission?—A. It is.

By the Chairman:

Q. Would you give us an explanation why the material reduction this year as compared with last year is something over \$4,000,000?—A. \$4,000,000 for maintenance of way and structures?

Q. No, the reduction of the two— —A. You would have to take them separately.

By Hon. Mr. Graham:

Q. Take the maintenance of way and structures on page 19?—A. I might make this general statement, before we consider it in detail. We charged to maintenance of way and structures in 1923, \$4,781,775. I am speaking now from page 19 of the Annual Report. In 1922 we charged \$45,623,536; in other words, we spent last year practically \$842,000 less than we did in 1922. To begin with, in dealing with so large an amount, I doubt if anyone could find an expression from the condition of the track of so small a matter as \$842,000. That is, when you are dealing with figures that are between \$44,000,000 and \$45,000,000, \$870,000, while in itself a large sum, proportionately is not very much.

By Hon. Mr. Graham:

Q. Would that include bridges?—A. Oh, yes; that would include every item.

Q. Stations?—A. Everything. That would include all of the items shown under the heading "Maintenance of Way and Structures" on page 19 of the annual report.

By the Chairman:

Q. You mean the reduction on the basis of percentage is very small?—A. Yes; it is a large sum to either you or me——

The CHAIRMAN: I certainly will admit that as for myself.

The WITNESS: —but comparing it with so large an amount, it is not very large. I think perhaps the best thing would be for me to take the larger items of decrease. The first one we come to is account 212, "Ties." There was a decrease of practically \$2,250,000 in ties. In the first place 111 per cent fewer ties were used in 1923 as compared with 1922. In addition to the saving thus effected, further reductions accrued from the lower average price for ties which obtained in 1922. There was a decrease of \$500,000 due to the reduction in the average price of ties from 95c. per tie in 1922 to 87c. in 1923. There was a further decrease of \$600,000 due to there having been charged in the account of 1922; that representing an adjustment of an account for 1921. In other words, in 1922, \$600,000 was charged into that account which belonged to the previous year, and was in adjustment. There was a decrease of approximately \$950,000 due to there having been used 1,000,000 less cross-ties on the Canadian lines in 1923, as compared with 1922, and there was a decrease of about \$200,000 in the value of bridge and switch-ties used.

Now, roughly speaking, the total number of ties on our lines amount to 80,000,000. We renew about 7,000,000 ties—or did last year, about 1,000,000 less than the previous year. That means that we stretched the life of a tie from about 10 years to 11 years. That, in turn, was due to the more rigid inspection when the ties were taken out to the track, and an effort to take out no ties unless they had entirely outlived their usefulness. In considering our annual tie

[Sir Henry Thornton.]

renewals, and the fact that we are dealing with about 80,000,000 ties, a tie saved here and there—if you only saved, for instance, three or four or 10 ties per mile of track, you would save over the whole system a very large number of ties. No tie should be taken out of the track until it has entirely outlived its usefulness, and it is a well known principle of maintenance-of-way work that in no branch of that work is there so much of an opportunity for waste, and, at the same time, for saving, as in the annual tie renewal. So that by closer inspection, by more rigid inspection with respect to ties that should be taken out, we saved about \$1,000,000 last year, and from my own judgment, from riding over the track, I do not think the character of the track has been materially affected, in fact, I think, if anything, it is rather better than it was in 1922.

By Mr. Stewart:

Q. Do you think that saving will be reflected in this year's depreciation? That is, will there be a greater depreciation of renewals of ties this year on that account?—A. No.

By Mr. Stork:

Q. In the matter of replacements; are they replaced by creosoted ties?—A. Some are. We are increasing annually the number of creosoted ties put in the track, and that is a wise policy for two reasons. In the first place, it conserves our timber supply, which is already disappearing at an alarming rate, and, secondly, it saves track-work, because every time you put in ties it means you have to re-surface. You destroy the old bed of the tie, the compact earth or ballast which has become compressed underneath the tie. The moment you haul the old tie out and put a new one in, you destroy that old bed, and it means that in addition to putting in the tie you have to do an increased amount of surfacing, so you economize in a good many ways in rigidly examining the ties to be taken out of the track.

By Mr. Kyte:

Q. What is the length of the life of a creosoted tie as compared with a tie in the natural state?—A. About double.

By Mr. Stewart:

Q. Have you experimented enough with hard-wood ties to explain their use for our benefit—I mean the treating of hard-wood ties?—A. I don't think hard-wood ties should be treated. These deteriorate in two ways, either mechanically or from the ravages of nature. They deteriorate mechanically because they are worn out, that is, the adzing underneath the rails gradually gives way with the weight, and sooner or later it may break; in other words, it may be broken or destroyed from mechanical causes. That is one way. The other way is from the ravages of nature. That is simply rot. If you can find an inferior wooden tie which is strong enough to resist mechanical wear, and at the same time can be treated chemically so it will resist the ravages of nature, then you have as good a tie as if you took an expensive hard-wood tie and treated it. So my theory is—and I think I am right—to secure the cheaper, inferior, wooden tie which will stand up mechanically, provided that wood can be treated chemically so that it will not rot. The inferior wooden tie treated chemically is just as good as a hard-wood tie treated chemically, therefore why waste money on the more expensive tie? Usually hard-wood ties, such as white oak, are used and are preferred untreated, because untreated they last longer than spruce or pine or beech. Now, beech is a wood which deteriorates with rapidity from the ravages of nature, but is strong mechanically, so if you can take a beech tie and treat it mechanically, creosote it, in other words, to resist rot, you have as good a tie as the original white oak tie.

[Sir Henry Thornton.]

APPENDIX No. 5

By the Chairman:

Q. Do you buy all your ties by tender?—A. Yes, I think we do. There may be a few odd lots here and there, but the amount we would buy without tender would be a very small percentage of the total, if it were even one per cent.

Q. Is there much competition?—A. A fair amount of competition.

Q. Are there any old tie contracts left over from the time before the companies were united?—A. I do not think we have any old tie contracts; there may be one or two. There is an old contract which runs out this year.

Q. For how long are these contracts usually made?—A. A year, ordinarily. You ordinarily buy your ties year by year, unless there is some exceptional reason for doing otherwise.

By Mr. Kyte:

Q. Do you endeavour, so far as possible, to purchase ties for the railway in the locality where they are to be used? For instance, in each province, do you seek to get a separate supply of ties?—A. Broadly speaking, that is the policy.

Q. For instance, there are no cases where ties are taken from Ontario to Nova Scotia, or vice versa?—A. I do not think it would extend that far. You might get points that would be somewhere near the boundary, but I think broadly speaking the answer to your question is "yes".

By Sir Henry Drayton:

Q. Did you say you have an old contract which has not run out yet?—A. I think it runs out this year.

Q. When was it made?—A. (To Mr. Brown) When was that made?

Mr. BROWN: I could not say.

Major BELL: It was made before the Board of Management took over the company.

The WITNESS: I have a recollection that that contract was of either three or five years' duration. I know I looked into it some months ago.

By Sir Henry Drayton:

Q. What was the price? Can you give me a substantial figure?—A. I could not give you that, but we can easily get it.

By the Chairman:

Q. What is the usual method adopted for calling for tenders, advertising?—A. Usually invitations are sent to the principal tie contractors, and they are asked to send in their sealed bids as of a certain date and hour, and the bids are opened by the Purchasing Agent and the contract is signed with the lowest responsible bidder.

Q. Can you say about how many tenders would be received, approximately, on any one contract?

By Mr. Stork:

Q. In the Prince Rupert section on the old Grand Trunk Pacific, which I think is perhaps one of the best tie districts on the whole system, there is a good deal of competition. There are about 12 or 15 reputable tie contracting firms, and there is tremendous competition there. Among the principal ones are Hanson, McNeill, Jennings, and a lot of others, and they watch it very carefully.—A. You always have to consider this factor. You must not drive your tie contractors down so far as to put them out of business, or you may ultimately find yourself in a position where you have not anyone to depend upon at all. (To Mr. Brown) Have you any idea about how many bids we would get on each job?

[Sir Henry Thornton.]

Mr. BROWN: They get quite a few.

Mr. STORK: A dozen?

Mr. BROWN: It will vary in different sections of the country, depending on the timber limits.

Mr. STORK: Would it be nearer to say half a dozen?

Mr. BROWN: In some sections of the country you would get six or eight bids.

Mr. STORK: Is there reasonable competition in all of these contracts?

Mr. BROWN: I think there is.

The WITNESS: And furthermore, in all of these bids, if there is evidence of collusion or evidence of some combination to force up the price of ties or anything else, we have rejected all bids and have gone direct and negotiated with the contractors. For instance, just as a little illustration of that, a year ago when we bought a lot of freight car equipment, we felt that the price which was asked by the various car manufacturing companies was excessive, and we did not feel that we could stand it.

By Mr. Stork:

Q. You bought them in the United States?—A. No, we did not. So we said to these various contractors—there were three—"Here, we do not like your price, it is too high. We have divided up this order amongst you in a manner satisfactory to the three of you, and we will buy on the basis of cost plus 10 per cent" and they accepted that proposition. In the final analysis the price we paid per car was materially less than the original bids of these car companies.

Q. Did they let your auditors go right into their plants?—A. Yes, we examined their books, and when it was done they were well satisfied and so were we. I merely mention that to illustrate that when we feel that the price demanded for any particular thing we are buying is excessive, we have to negotiate or try to take some steps to get it at a reasonable price.

Q. You say there is an old contract with the G.T.R. which has not expired. I am just curious to see whether there are any other old contracts of the old constituent companies that have not expired.—A. No. With the expiration of this contract this year, all the old tie contracts will have disappeared.

By Mr. Stewart:

Q. Would these contractors be supplying new ties at the price prevailing five years ago?—A. This Grand Trunk contract was a peculiar contract. It may have been to the advantage of the company, I will not say, but the price for the ties was fixed, as I remember it, by an understanding between the contractor and the company. I do not think there was any definite price put down, and it varied from year to year. (To Mr. Brown) Is that right?

Mr. BROWN: That is my impression, yes. I think I have last year's figures on that contract.

The WITNESS: (To Mr. Brown) Have you anything that shows the price per tie paid under that contract last year?

Mr. BROWN: Yes, I have the one in the State of Illinois, about half a million ties, at \$1.15. They were oak ties.

The WITNESS: That is a different position again. These were white oak ties bought in the United States, and just roughly I should say that \$1.15 was not excessive for a white oak tie in the United States, although it would be an excessive price to pay for a tie in Canada.

[Sir Henry Thornton.]

APPENDIX No. 5

By Mr. Stewart:

Q. Where would you be using the hard wood ties?—A. These particular ties were used on the Grand Trunk Western lines west of Detroit, between Detroit and Chicago, and through Michigan. I do not think any of these ties came into Canada.

Mr. BROWN: No, it was all used on the Grand Trunk Western.

By Mr. Stewart:

Q. Do you get any of the ties for our Canadian lines in the United States?—A. No.

Q. Do you get all the ties for our American lines in the United States?—A. I think we buy them all in the United States.

By the Chairman:

Q. Is there a duty against ties, either way?—A. I do not know whether there is or not, but I think there is a duty on ties and lumber going into the United States. I am sure there is.

The CHAIRMAN: Gentlemen, it is nearly one o'clock; do you wish to proceed any further?

Sir HENRY DRAYTON: I think we would save time on these questions of expenses if the Controller of Accounts brings down his regular monthly statements. That is something I am much more familiar with than anything else.

The WITNESS: What statements do you refer to?

Sir HENRY DRAYTON: The regular monthly statement of receipts and disbursements.

The WITNESS: You would want twelve of them?

Sir HENRY DRAYTON: Yes; we could get everything very quickly that way, and we could see the general trend at once.

The WITNESS: Then you would only get the amounts that would be charged to certain items month by month, and I want to point out that that may or may not be a fair criterion, because in some particular month you might charge an amount for some reason, a very much larger or a very much smaller amount than in another month. Ordinarily what we should do is to budget certain items of expenses; that is more or less of a practice on most railways, to charge one-twelfth of the amount each month, whether the work is done or not.

Mr. DRUMMOND: Mr. Chairman, I would like to get some information in regard to the losses sustained in regard to the hotels.

Sir HENRY DRAYTON: We have that in the House now. I am afraid we are losing money on all of them.

The WITNESS: I have not the slightest desire to suggest the procedure which should be followed by this committee, but if you are going to go through each one of these items month by month, you are going to make your work twelve times as hard as you should.

The CHAIRMAN: Would it be satisfactory to take the statement here, and if you feel you want more additional information than you have, perhaps we could resort to the other.

The WITNESS: We can furnish you with the annual report, with the items of increase and decrease shown on the margin. Would that help you?

Sir HENRY DRAYTON: If I had those things now I could go over them this afternoon and let you know.

[Sir Henry Thornton.]

14-15 GEORGE V, A. 1924

The WITNESS: I do not think I have the monthly statements; they will have to be sent down from Montreal.

Sir HENRY DRAYTON: We could subpoena someone from the Board of Railway Commissioners; they should have copies. It seems to me I was guilty of a judgment a few years ago under which the railway companies had to file these with the Board.

The WITNESS: We file our monthly statements of expenses with the Commission, of course.

Sir HENRY DRAYTON: Yes, that was done under a judgment of 1916, so that the Board would be in touch with what was going on every month.

The CHAIRMAN: Will these statements be produced then?

The WITNESS: Yes, we will send for them.

The Witness retired.

The Committee adjourned.

COMMITTEE ROOM 231,

HOUSE OF COMMONS,

TUESDAY, June 24, 1924.

The Select Standing Committee on National Railways and Shipping met at 10.30 o'clock a.m., Mr. W. D. Euler, M.P., Chairman, Presiding.

The CHAIRMAN: Gentlemen, if you will come to order, we will proceed. I may say, at the outset that there is a caucus this morning, and some of the members of the Committee will want to leave to attend the caucus at eleven-thirty. I might also direct the attention of the Committee to the fact that in the printed proceedings there is an error on page 286, line 3, the fourth word. The word "edging" should be changed to "adzing." I do not think it is of very great importance, but we may as well change it. I would also say that some of the members have not returned the first day's proceedings; unless they do return those it is impossible to make up a complete file, as they are being turned out now, so, if any of you have the first day's proceedings, please turn them in. I may also say that there is some disposition to come to the conclusion of the session, and we should speed up our work as much as possible without trying to prevent any investigation.

I think Major Bell has the information asked of him, and is prepared to give that information which Sir Henry Drayton wanted yesterday? We might finish with that at this time.

Sir HENRY DRAYTON: Shall we question the Major. If he has the information, he might just make the statement.

Major G. A. BELL, recalled.

The WITNESS: This information was telephoned to me from Montreal this morning from the Chairman's office. Amount of transfer charges on transfer from Aronovici to present company—this is in dollars \$62,153.39.

By Hon. Mr. Graham:

Q. That is the taxes?—A. That is what it cost the company to transfer the title from Aronovici to the present company. The name of the company is La Rente Foncier.

[Sir Henry Thornton.]

APPENDIX No. 5

By Mr. Kyte:

Q. That is the present company?—A. Yes, it is a subsidiary company of the Canadian National.

By Sir Henry Drayton:

Q. That would be approximately what, in francs? We have all the rest of it in francs and we might as well continue it?—A. Yes. Take about five cents to the franc, Sir Henry (Drayton).

Q. Just see how you figure it. I don't want to tie you down to a thousand francs one way or the other, but it will do only approximately.

Hon. Mr. GRAHAM: When that was done the franc was worth more than five cents.

The WITNESS: No; this is at a later time.

Mr. KYTE: 1,243,000 francs.

The WITNESS: 1,243,000 francs roughly, yes.

By Sir Henry Drayton:

Q. Does that make the total paid for these Government taxes—in francs?—A. In francs, yes. The total paid to the Government for registration fees on the mortgage. First of all there was a registration fee of 3,360,000 francs; registration of the mortgage 750,000 francs, and retransfer of the property from Aronovici to the company, 1,243,000 francs—approximately.

Q. That is a total of 5,353,000 francs that we have paid into the French Government?—A. Yes.

The CHAIRMAN: A nice revenue.

Sir HENRY DRAYTON: It is a fine thing for the other fellow.

The CHAIRMAN: For the French Government, I should say.

By Sir Henry Drayton:

Q. You gave the name of some company there. Have you the name this morning of the original owner?—A. No, sir.

Sir HENRY DRAYTON: The Minister is here and I wonder if he could tell us if an offer was made to the Canadian Pacific Railway, and if so, at what price?

Hon. Mr. GRAHAM: I was informed the property was offered in May, 1920, to the President of the Canadian Pacific Railway through his manager in London, Sir George McLaren Brown—20,000,000 francs, with 3,000,000 set for the tenant. What that 3,000,000 francs is I do not know.

Sir HENRY DRAYTON: I suppose that would mean the owners were going to give possession on being paid 3,000,000 francs, plus the purchase price.

Hon. Mr. GRAHAM: I doubt it, because there was half a dozen tenants, and there are some tenants which he could not buy out, and which our people have been unable to buy out.

Sir HENRY DRAYTON: You have got rid of all of them?

The WITNESS: No, there were three we did not ask to get out.

Hon. Mr. GRAHAM: The statement made to me was "20,000,000 francs with 3,000,000 for the tenant". What that means I don't know.

Sir HENRY DRAYTON: With 3,000,000 for the tenants.

Hon. Mr. GRAHAM: Not "tenants"; "tenant".

By Sir Henry Drayton:

Q. Three you have not been able to get rid of?

[Major G. A. Bell.]

Hon. Mr. GRAHAM: I corrected that this minute. I said that was at that time. There were three left there.

Sir HENRY DRAYTON: Which three?

The WITNESS: On the side there were three small shops which did not interfere with us at all and we left them there.

By Sir Henry Drayton:

Q. How long do their leases run?—A. Five or six years.

Q. What did they demand?—A. They were not asked to get out; we did not bargain with them.

Q. What was their rent?—A. I have not that information here.

Q. Can you make your changes in the building and leave them in?—A. Yes, so we are advised. They are only small shops.

Hon. Mr. GRAHAM: You did not let me finish my answer. Mr. Beatty says they had a similar offer repeated to them in November, but they held no option on it between those times.

The CHAIRMAN: November, 1920.

Hon. Mr. GRAHAM: Yes. The first was in May, 1920, and the last was in November, 1920, but the offer was not considered. He thought the property was too expensive at that time and that they did not require such large premises for their business.

Sir HENRY DRAYTON: That would sound very reasonable.

By Mr. Kyte:

Q. Major Bell, have you any knowledge as to whether the value of property increased from 1920 to 1923 from information you received while in Paris?—

A. The general opinion was that it had gone up tremendously on account of the scarcity of space. I think, roughly, that rentals, apart from the depreciation of the franc, had gone up as high in increase as 50 per cent, and naturally property would be just about the same.

Q. That is from 1920 to 1923?—A. Yes, depending on the situation.

Mr. KYTE: That is all.

By the Chairman:

Q. Can you tell me, Major, what the value of the franc was when the offer was made to the C.P.R.?—A. I have not that with me, but I think I could get it for you.

Q. Could you give me any idea as to how the offer to the Canadian Pacific Railway compared with the price paid by the Canadian National Railway, when you consider the relative values of the franc in 1920 as compared with when the purchase was made in 1923?—A. Taking the relative value—if it was 20,000,000 francs and the relative value of the franc at that time, together with the increase in property values, the offer made to the C.P.R. was higher than the price paid by the Canadian National Railways.

Hon. Mr. GRAHAM: In 1920 when the offer was made, the value of the franc was, at one time, 9-13, I think. It would depend on what day of May it was done. It ran from that to approximately 7, if I remember correctly.

Sir HENRY DRAYTON: We do not have to pretend to know. There is no reason for guessing about it. We can get it absolutely.

Hon. Mr. GRAHAM: I had it in my pocket this morning, and thought I had it with me. In November the value of the franc ran from six-something to eight-something.

By the Chairman:

Q. Could you give a definite answer to that, Major?—A. The offer to the C.P.R., if I understand Mr. Graham rightly, in May, 1920, was 20,000,000 francs. Property has increased 50 per cent entirely apart from the fluctuation of the franc, so I would put the value of the offer made to the C.P.R., on that basis, at about 30,000,000.

By Sir Henry Drayton:

Q. That would be assuming that your idea of French real estate is right?—A. I am just saying, Sir Henry (Drayton), how the property jumped and increased—

Q. We have no evidence of jumping, except the jump that Aronovici took. We have a general idea of values from gentlemen who know nothing about it. That is all.—A. (No audible response).

The CHAIRMAN: Are you through, Mr. Kyte?

By Mr. Kyte:

Q. Do you know, or do you not know, that in the case of that offer to the C.P.R. the transfer fees would have to be paid by the purchaser?—A. Certainly.

Q. All the items enumerated by you as adding to the cost of the building would be added in the case of the C.P.R.?

Sir HENRY DRAYTON: I wonder if the witness really wants to say "yes" to that question. He nods his head—

The CHAIRMAN: Leave it to him to answer.

The WITNESS: Sir Henry (Drayton), I will go into that in detail, taking it on the same basis as the Canadian National purchase. Supposing the C.P.R. put it through at 20,000,000 francs; the registration would be 12 per cent—

By Sir Henry Drayton:

Q. Certainly, which would be a lower rate—A. Yes—

Q. Do you think the C.P.R. would have taken the deed in Aronovici's name and got rid of it afterwards?—A. I am not discussing—

Q. Can you state to us whether all these other costs would be the same?—A. Of the first transfer, yes. I am not referring to the second transfer.

Q. Just limit yourself to that?—A. The second transfer would be additional, of-course. I am referring to the first transfer.

By Mr. Mackinnon:

Q. Was this offer of the C.P.R. known when the Canadian National bought it?—A. I cannot tell you that, because I was not in at the bargaining at first.

Q. Was this a good time to buy, when the price was high?—A. If you wanted the property you would have to buy it at the current price.

The CHAIRMAN: Any other members wish to ask the witness any questions?

By Mr. Gauvreau:

Q. If the C.P.R. was willing to purchase that property, is it your idea they would buy it outright, instead of making a bargain with a middleman?—

A. No, the chances are they would have had somebody in between to purchase.

Q. Just as you did, when you took the third man to put the deal through?—A. Yes.

By Sir Henry Drayton:

Q. Do you mean to say that they would do more than just employ an agent?—A. I don't understand your question, Sir Henry.

[Major G. A. Bell.]

Q. It is very plain. Do you think they would do more than employ an agent to buy, and have the option in his name?—A. I think the chances are the Canadian Pacific Railway would have done just exactly as we did the second time. They probably would have used a subsidiary company.

Q. In the first instance?—A. In the first instance. As a matter of fact, the Canadian Pacific Railway Company at the present time, are incorporating and operating separately in Paris. They do that to avoid the taxes.

Q. In other words, they would have done, in the first instance, what you did in the last? —A. Sir Henry, may I make this explanation? One of the largest banks in Canada did just exactly what we did in the purchase of a property, and to-day they are not in possession of the property, and it is my information that they will not be for twelve years.

Sir HENRY DRAYTON: Oh, yes, there was another Canadian institution stung as well as the National. That bank was pretty badly stung, but they bought it at a very considerably lower rate than you did. I happen to know the details of that purchase.

The WITNESS: I am not so sure of that.

Hon. Mr. GRAHAM: The property is not comparable to this.

By Sir Henry Drayton:

Q. What was the price, 17,000,000 francs?—A. They are willing to bargain with us for taking a part of our floor space, based on the price we paid for it.

Q. For a certain amount, but they are inclined to deal because they cannot get possession of their own.

Hon. Mr. GRAHAM: There is an American company which has done the same thing.

The WITNESS: Yes, I explained that yesterday.

Sir HENRY DRAYTON: I am not saying there were not others; there are other suckers; there always are.

The CHAIRMAN: Are you through with this? Do you wish to continue now with some of these statements?

Mr. KYTE: Is Mr. Ruël here?

Sir HENRY DRAYTON: I think he was to be here this morning. I thought we were to have this morning the accounts from the Comptroller of Accounts.

The CHAIRMAN: I thought we were to hear Mr. Ruel.

Mr. KYTE: He was asked to come.

Mr. STEWART: I thought it was understood he was to be here this morning. GÉRARD RUEL called, and examined.

The CHAIRMAN: Gentlemen, Mr. Ruel is now ready for your questions. Will some one please proceed.

By Sir Henry Drayton:

Q. Mr. Ruel, when was it that you first had any knowledge of the Scribe Hotel?—A. The first time I came into it was the day Mr. Aronovici arrived in Toronto.

Q. When was that?—A. I do not know; it was some time prior to the writing of this letter which I have before me.

Q. That is dated April 30th?—A. Yes, April 30th, 1923, some time prior to that. I do not know exactly the day this letter was signed.

Q. It is a letter within a letter.—A. A letter within a letter.

Q. A short time prior to the 30th of April?—A. Yes.

Q. Did you have anything to do with the negotiations for the purchase?—A. No, except after Aronovici arrived. I had nothing to do with the price paid, or anything like that. Possibly I had better state what happened on

APPENDIX No. 5

that day. The president sent for me in the morning, and Mr. Aronovici was in his office. Sir Henry explained to me that it was proposed to acquire this building in the city of Paris. He started to explain where it was, on the Rue de Capucines, and so on, but that did not convey any information to me at all. The president told me that Aronovici, to whom I was introduced at that time, had or intended to obtain, I have forgotten exactly which, an option on the property, and it was thought desirable in the interests of the expansion of the property and the expansion of the traffic of the railway that this building should be acquired. The price was mentioned in a general way, but it did not convey anything to me, because it was stated in francs. However, the president was in a hurry, and he asked me if I would take Mr. Aronovici over to my office and draw up some kind of a contract with him. So Mr. Aronovici and I went over to the office and then, at that time, I drew up the first draft of this letter of April 30th, which was to be addressed to Mr. Aronovici and signed by the president. It was signed afterwards, of course.

Q. Did you get the details of that from Mr. Aronovici or from the President?—A. That is what I am coming to now. I put down the whole thing:

“I am writing this letter to you for the purpose of reporting our understanding of the tentative arrangement made with you respecting the acquisition of a location in Paris, France, for the offices of the Canadian National Railway Company, and for the Dominion Government should they desire to avail themselves of the space.”

Then I put down a description, which Mr. Aronovici gave me, and I started to put down the price, which he also gave me. In the first draft I got all tangled up in the price and cut that out, and it was filled in afterwards. Then as to the payments, I put that down, as to what he said was the understanding. We were that day advancing him \$200,000, and the letter says:

“The Railway Company will further advance to you, before the 20th of May, dollars sufficient to enable you to complete the bargain, such further advances to be placed to your credit at Morgan Harjes & Co., Place Vendome, Paris.”

That is what he said the arrangement was.

“*Security.*—The Railway Company is to be secured for all its advance by a mortgage executed by yourself upon the property for the amount advanced, to be returned to the Railway Company in Canadian money.”

Then I put in the terms of the security and the occupation, which was dictated entirely by Mr. Aronovici:—

“*Occupation.*—The Railway Company is to take space on the premises, as follows:

Basement.—Space for cinema.

First Floor.—Space for exhibition hall for Dominion Government and offices for Canadian National.

Second Floor.—About 20 rooms for the Dominion Government and the same number of rooms for administration offices of the Railway Company.

Detailed measurements and locations to be subsequently agreed upon, and subject to change on mutual agreement.

[Mr. Gérard Ruel.]

Rental.—To be agreed upon between yourself and myself, as President of the Canadian National Railways."

That was a point upon which I insisted. I did not know what the rental would be, and I said we would leave that entirely to be arrived at, that it was no use our attempting to adjust it then, because we did not know.

Payment of Interest.—Interest shall be payable out of rental so far as it goes being deducted by the Railway Company. No interest shall be payable on the advances made under this arrangement until the rental begins; in other words, the Railway Company charges no interest on its advances until concurrent with its occupation of the premises."

That was insisted on by Mr. Aronovici. In regard to the payments on principal, the sum of \$25,000 per annum was suggested by Aronovici. I said that did not amount to anything at all, \$25,000 per annum; that would take him a million years to pay it off, and he said of course when the franc came up to par he would double that. I said even that did not amount to very much.

Q. That would be, not a million years, but a hundred years, without bothering about interest at all? —A. I know, and I told him it was a ridiculous thing. However, that was what he was determined on, and I just put it down. Then, about the option to purchase; I said that of course the railway company would have to take over this property, and Aronovici said, "Oh, no, the railway company is not to take over the property;" I said, "Nothing of the kind; we have to be able to take it over or we cannot make advances to you. That would be impossible, because the railway has no authority to make advances to a man to buy property for his own purposes." He said that was the way he understood it, he was to have the management of the property and he was to pay off the principal from time to time. I said I did not understand it that way, and proposed that we just pass that over for the time being. So we went on and put in the insurance clause and the rental terms and the form of mortgage.

"Form of mortgage: The form and terms of the mortgage to be satisfactory to us, the mortgage, of course, to be a first mortgage, free from prior liens and charges."

Then I said, "We will have to go back and see about this option to purchase", so we went back to the office and I said to the President, "The Railway is not to have any right to purchase this property, according to Mr. Aronovici", and I said, "Of course that is impossible, because we cannot go ahead at all unless that is the basis of the proposition." Sir Henry looked at Mr. Aronovici, and Aronovici said, "Well, I am to have the property: it is my property". Sir Henry said, "Oh no, not at all; the Railway is to have the right to take that over any time". I said, "Of course, we cannot legally go ahead with the thing unless that is understood". Sir Henry said that was the idea, the Railway company to take it over any time, and he said, "In fact, I have some people in mind who will probably take it over before a very long time". Then Aronovici said, "How much am I going to get paid in case it is taken over?" and then we had a discussion on the amount. Aronovici wanted 20 per cent commission, in case we took it over, and I said that was ridiculous. While as a general thing I do not go into questions of terms at all, I said that was absurd and that 5 per cent was all that it should be. Then Aronovici said it might not be taken over for some length of time, and in the meantime he would have to carry the property and get the tenants out, and clean it up, and have charge of the management, and he thought 20 per cent was right. Finally it was suggested that 10 per cent was about the right thing for the first five years, and 20 per cent after that. I pointed out, of course, that that meant we would have to

[Mr. Gérard Ruel.]

APPENDIX No. 5

take it over within five years, because we could not afford to pay 20 per cent. Then we went back and put in this clause covering the option to purchase as shown here, and of course the minute that was put in the whole purpose of the letter was then served. It practically resolved itself into a case of Aronovici acting as our agent, the money being advanced by ourselves, and we had the right to take it over and purchase it any time, and pay him off. In the meantime he gave us a mortgage back for the full amount of the advances, and he was to give us a lease, so if the property was turned over to anybody else that lease would be possibly a continuing lease. In other words, we were practically getting a friendly landlord; that is the way I looked at it. That was my first connection with the thing, and that is the principal part of the story so far as I was concerned. I had practically nothing to do with it after that.

Q. I see that from what you tell us you had nothing whatever to do with the terms.—A. No, nothing whatever.

Q. You know nothing whatever, I suppose, about Parisian real estate, and whether it was a wise or crazy thing?—A. Nothing of that at all.

Q. You were called in, I suppose, to put this in the best shape you could, under the circumstances.—A. With the limited knowledge we then had of the situation, yes.

Q. Then, did you give any advice to the President as to the legal right of the company under the terms, at all?—A. I said we could not make these arrangements at all unless we had the right to purchase, that it was an acquisition, so far as we were concerned.

Q. Just in order to get the information—and I am not referring now to the waters gone under the bridge, but to the future—what is your view as to the legal right of the Canadian National Railway Company to make capital commitments outside of Canada?—A. I have not any doubt about that at all, that it has a legal right.

Q. It has a legal right?—A. Yes.

Q. On what do you base that view?—A. The question is, of course, what is necessary for the purpose of the undertaking, the undertaking of any railway company. Under the Railway Act the company is not necessarily restricted to Canada. Its powers are derived under the Railway Act, which is not limited to Canada.

Q. Would you suggest there was any legal right to purchase a building of this size, when apparently the only use the Company can make of it is a comparatively small portion?—A. I take it the relative size is immaterial; it is a question of the right. In other words, we can build a station anywhere on our lines; we can also build a tremendously big station with a hotel in it, if we want to. There is no restriction as to size; there is no restriction on amount, so far as the position of the company is concerned.

Q. Supposing we get that clear. We have the Canadian National Railways Act of 1919?—A. Yes.

Q. Which confers certain statutory powers upon the company. Which is your idea, first, are these powers merely supplemental to the nearly one hundred subsidiary Acts? Are they merely subsidiary and ancillary to them, or do they take the place of the former statutory powers?—A. They certainly do not take the place of the former statutory powers. Where you amalgamate one company with the old companies, the new company has the aggregate of the powers of both companies.

Q. That is probably so as a general principle in amalgamating companies.—A. It says so in the Act.

Q. I want to see just exactly what we have to do here in order to protect the Treasury, if it is thought wise that the public treasury ought to be protected. Of course, maybe the government does not think it is wise to protect the

[Mr. Gérard Ruel.]

treasury, but in case it is thought wise that the treasury should be protected, do we have to look, in your view; past the Act of 1919 and find out what all the powers are under other Acts as well?—A. Yes, under the Railway Act, and we also have powers under the various other Acts. There is no doubt about that; each individual company has its own powers.

Q. It becomes necessary to review all that legislation.—A. Largely. Of course I have that all in my head.

Q. Yes, but unfortunately we have not always your head with us, and sometimes what your head is supposed to have said gets mixed when it reaches us.

Hon Mr. GRAHAM: That is not at all personal, I hope.

Sir HENRY DRAYTON: No, not at all. Mr. Ruel knows how he has been quoted in these cases. He knows very well the discussion we had in the House last year, and what was said as to legal opinions given.

The CHAIRMAN: You were not referring particularly to Mr Ruel?

Sir HENRY DRAYTON: To anybody. Mr. Ruel is fortunate in one thing, and that is that he is not in the Department of Trade and Commerce.

Q. Coming back to the question under discussion, take the question of the right of bond issue. We have the right of bond issue of \$75,000 per mile, under the legislation of 1919.—A. Yes.

Q. Over and above that we have the right of bond issue in all the subsidiary companies. It is your view that that \$75,000 per mile is over and above that given to the subsidiary companies?—A. No.

Q. In that particular instance you would make an exception to your general opinion?—A. There, of course, you see, you have to read this specific legislation, because the specific legislation refers to the individual lines. For instance, suppose I have the right to build a road from A to B under a certain charter of the Canadian Northern, for instance, and I do not amalgamate that company. The power to issue bonds is still a Canadian Northern power and governed by the Canadian Northern Acts. On the other hand, with the Canadian National Railway Company, it has the power of \$75,000 a mile in respect of all lines of railway which it controls or operates. In that case you have to look at the individual issues made prior by the Canadian National Railway Company, or its predecessors in title, and you have to take that and deduct it from the \$75,000 per mile.

Q. In other words, in the particular instance legislation taking the place of former legislation decreed that all that can be done, in your view, by the system is to bond to an extent not exceeding \$75,000 a mile irrespective of all powers contained in the original character?—A. Precisely, and in Mr. Fielding's Act of last year he laid down a further restriction.

Q. What he put in was simply that they could not be issued unless they first received the approval of the government. That is not very much of a protection.—A. No, not very much.

Q. Then you rely on the general wording of the Act in acquiring anything which is necessary for the Company's undertaking.—A. Yes.

Q. That is what you rely upon?—A. Yes. I have the wording of the Act here.

Q. You can give the section if you like; perhaps the committee would like to have it.—A. It is in the general powers of the companies coming under the Railway Act, contained in section 162, subsection 1 C of the Railway Act:

"(c) purchase, take and hold of and from any person, any lands or other property necessary for the construction, maintenance and operation of the railway, and also alienate, sell or dispose of, any lands or property of the company which for any reason have become not necessary for the purposes of the railway;"

That is the general power.

[Mr. Gérard Ruel.]

APPENDIX No. 5

Q. And you think, under that power, we could buy, if the management wanted to, offices in China?—A. It says, “purchase, take and hold of and from any person.” In the United States we have, I suppose, 500 leases of offices, all over the United States.

Q. If the Board so decided under that Act, your view would be that they could buy an office in China?—A. Quite.

Q. You do not think it is limited at all by the words that you there read as to the construction, maintenance and operation of the railway?—A. No, because who is to decide what is for the purposes of the undertaking? Obviously the Board of Directors of the Company, and if the shareholders are not satisfied with them, they chuck them out.

Q. What do you think of the “just and generous” provision? Perhaps you would give us a written opinion on that.—A. The provision of “just and generous” does not apply to countries at all.

Q. I am not applying it in that way; I am applying it to companies as such, and that is the exact reading of the statutory clause.—A. How would you apply the “just and generous” to this clause?

Q. The controlling words you read there.—A. I am afraid “just and generous” does not apply there.

Mr. KYTE: What doth it profit this committee to listen to these very learned gentlemen discussing obscure points of law?

The CHAIRMAN: I would suggest this, that the witness has given his opinion that the railway has the right to make extended investments.

Sir HENRY DRAYTON: The words I am referring to are “necessary for the construction, maintenance and operation.”

THE WITNESS: Yes; this is operation. What else is it?

Mr. KYTE: Mr. Ruel is the paid solicitor of Sir Henry Thornton and the Board, and I think Sir Henry and the Board were justified in accepting his opinion, even though it differs from that of Sir Henry Drayton.

Sir HENRY DRAYTON: I do not know whether the House is going to feel comfortable if they know that this is going to enable the Board to purchase property anywhere they like. It may be that that is the view of the government, but we had better get a clear opinion.

THE CHAIRMAN: We have the clear opinion of Mr. Ruel. Many of us are not lawyers, but is this the understanding of the witness, that under the general Railway Act, railway companies have the power to make extended investments?

The WITNESS: Yes.

By the Chairman:

Q. Is there anything in the Act incorporating the Canadian National Railways that restricts its powers?—A. Except with respect to lines of railway; that is the only case.

Q. You cannot buy other lines of railway, but you can buy lands, buildings, and so on?—A. (Reads):

“(c) purchase, take and hold of and from any person, any lands or other property necessary for the construction, maintenance and operation of the railway, and also alienate, sell or dispose of, any lands or property of the company which for any reason have become not necessary for the purposes of the railway;”

Q. You cannot buy other lines?—A. No.

[Mr. Gérard Ruel.]

Q. Can you sell lines that you now own?—A. No, except with the consent of the Governor-in-Council.

By Sir Henry Drayton:

Q. You distinguish between "property and railway"?—A. Unquestionably; that is the distinction.

Q. Because the system has been selling property.—A. Yes, but no lines of railway. I will just read you the clause which I put in the 1919 Act myself.

"With the approval of the Governor in Council, on the recommendation of the Minister of Railways and Canals, agreements for any of purposes specified in sections three hundred and sixty-one and three hundred and sixty-four of the Railway Act may be entered into between the Company and any Company, now or hereafter comprised in the Canadian Northern System, or between the Company and His Majesty, or the Company and any other Railway Company approved by the Governor in Council, or between any two or more of any such parties."

This section of the Railway Act quoted there is from the old Act, not the one of 1919. This Act was passed in June 1919, so that would be sections 151 and 154 of the present Railway Act of 1919. These agreements referred to are agreements for the purchase, lease, or other acquisition of railway lines, or for amalgamation, and can only be entered into with the approval of the Governor in Council upon the recommendation of the Minister of Railways. So if you want to buy or sell any part of the System, or buy any line from any other company, you have to go to the Minister of Railways; he has to recommend it to the Governor in Council, and the Governor in Council has to pass an order-in-council. There is no such restriction on ordinary property.

Q. If that be correct that purchase which we heard of, I think on Monday of the 12 miles of railway running to Bout de l'Isle would have to be approved of by the Governor in Council first?—A. I made a gentleman's agreement in that case. I simply went down and closed the agreement and told them it was subject to the approval of the Governor in Council, but I did not pay over a dollar until I got the Order in Council in my hand.

By the Chairman:

Q. Summing up, then, your contention is that the railway was entirely within its legal powers in making that purchase?—A. No question about that.

By Sir Henry Drayton:

Q. Then, Mr. Ruel, did you ever see the option?—A. No, never.

Q. Aronovici did not produce any papers?—A. No.

Q. Do you know who gave the option?—A. No. He simply said, as I remember it, he either had an option or was going to obtain one; the idea he tried to give me was that no one else could buy it but himself.

Q. That is an idea that is very often given by people who want to make deals.—A. I put it down as "hot air."

Q. Then there is another legal question, which was debated in the House last year. That is, as to the right of the System to give any guarantee to the Bank of Toronto in advancing the money. Did you give a legal opinion on that?—A. No. They did not give a guarantee, as a matter of fact; they merely made the deposit.

Q. Are you familiar with the file?—A. No.

Q. Supposing you look at it before you make that statement, and look at their letter of May 25, and tell me if that is not meant to be a guarantee.—A. What is the letter?

[Mr. Gérard Ruel.]

APPENDIX No. 5

Q. The letter to Mr. Carson, Manager of the Bank of Toronto.

By Hon. Mr. Graham:

Q. While Major Bell is looking for that, may I ask a question? Did you not really draft that Act of 1919 yourself?—A. Sure.

Q. Then you know what was meant by it?—A. Absolutely, or at least I thought I did.

Sir HENRY DRAYTON: He certainly knows what he thought he meant.

Mr. KYTE: And there is no evidence that he did not think right.

Sir HENRY DRAYTON: We will find out.

The WITNESS: This is the letter, and it does not seem to be a guarantee.

"In connection with the advance made by your Bank of 38,232,161 French francs (\$2,608,330), to Arnold Aronovici, for which his note has been issued payable on demand at 6 per cent, funds have been deposited by the Canadian National Railways in a special account in the Montreal Branch of the Bank of Toronto in the sum of \$2,608,330.

This money is not to be withdrawn from the Bank of Toronto until the note and interest thereon is paid. You are authorized at any time to call for the payment of the said advance with interest after giving the General Treasurer of the Canadian National Railways five days' notice of your purpose so to do, and if the principal of the said note is defaulted, you are empowered to apply the deposit to the liquidation of the defaulted principal. Any failure to pay the interest on the note is to be brought to our attention, but no part of the deposit is to be used for the discharge of this indebtedness."

Q. I would just say to you that while it is a deposit it creates a limitation. It limits the right of the company so that it cannot draw against that deposit?—A. Surely. It is just collateral security.

Q. What do you say as to the company's legal right to do that?—A. I do not say they have not the power to do that. I would not go so far as to say that unquestionably they had power to put up security for anything.

Q. Yes?—A. Yes.

Q. You want us to take just as you state it or would you like to limit that?—A. Possibly it is rather broad.

Q. It is so broad as to be ridiculous and I think on reflection you will see it.—A. That is entirely within the powers of the company.

Mr. KYTE: That is what everybody inferred, except our friend Sir Henry Drayton.

Sir HENRY DRAYTON: The Chief Whip is here to help you out and say that the English language does not mean what the English language says.

WITNESS: We could not put up money for a banking purpose.

By Sir Henry Drayton:

Q. What is your view as to the right of the company to enter into obligations, capital obligations, which must charge their shareholders, the Government, without the Government's consent?—A. There is nothing in the Act as I drew it. It puts no restriction on the company in that particular. So far as legal rights are concerned there is no restriction. So far as moral rights are concerned the Government should be consulted.

Q. Do you think it would be wise to make a little amendment to that Act?—A. My attitude is always to tell the Government everything, especially everything of any importance.

[Mr. Gérard Ruel.]

Q. Your attitude would be that the Government ought to be a party to any new capital commitments?—A. They should at least know about it.

Q. A party to the matter, knowing about the matter, I mean before they are committed. The Government surely ought to be told what is contemplated and given the opportunity of saying. "No".—A. Certainly, as regards every important transaction, but when you speak of capital commitments you are going a little far too because the building of a station is a capital commitment. We might decide to tear down the building comprising the station to-morrow at London and put up another one.

Q. I think you ought to, in the interest of the travelling public, tear down the station and I think if you put some of this money in there it would be much better for the Canadian people?—A. I would also agree with that.

The CHAIRMAN: Mr. Ruel hardly has charge of the matter of policy in regard to all these things.

Sir HENRY DRAYTON: I am just trying to find out where Mr. Ruel wants this to go. He wants to qualify the capital commitments. We have a qualification as to the stations, which, I think, is pretty well looked after, but apart from stations, what else?

By the Chairman:

Q. Is the company restricted in any respect other than that of the purchase of land or the sale of land? Are they restricted in any other way beyond the power perhaps to make the financial arrangements?—A. No.

The CHAIRMAN: It seems to me that would cover it.

Mr. KYTE: That does not suit Sir Henry (Drayton).

Sir HENRY DRAYTON: After that Mr. Ruel said that in his view the Government should be consulted.

The CHAIRMAN: But not under the law. They are not obliged to. That is a matter of opinion.

Sir HENRY DRAYTON: It is more than a matter of opinion. It is a matter of what should be done. If the man who was in charge of the legal end of this thing has no opinion it is all right.

Mr. KYTE: He has opinions as to the law but not as to policy.

WITNESS: I said the Government should be consulted in all important transactions and I still stick to that.

The CHAIRMAN: Very good.

By Sir Henry Drayton:

Q. The company had no liquid assets of its own?—A. Yes, it had.

Q. What?—A. Tolls, rates and fares, coming in every day.

Q. They are insufficient to discharge their obligations?—A. It does not change the legal situation. You use your liquid assets for the payment of your wages. It is the same thing.

Q. It is the same thing, using your liquid assets for the payment of your wages, as it is in purchasing the Scribe Hotel?—A. In one case they would have consulted the Government. In the other case it is not necessary.

Q. Your answer was not quite correct. It is not the same according to you.—A. I am just making a slight variation. It is the company's money, notwithstanding the fact that there is a deficit. If we were an ordinary shareholder of the company the Board would act exactly as the C.P.R. Board would act, and the C.P.R. Board would not consult the shareholders in a case of that kind. I do not think Mr. Robb, of the C.P.R., would let anything go if anything

[Mr. Gérard Ruel.]

APPENDIX No. 5

had not been passed by the shareholders. He is there for the purpose of seeing that the shareholders money is not switched?—A. I do not know what the meaning of "switched" is.

Q. We will take the Home Bank deficit. That was switching of one account to another account for one purpose, namely, to hold an indigent bank.—A. That I know nothing about.

Q. Would you not call that a switching of the funds.

Major BELL: I object to that statement.

Hon. Mr. GRAHAM: That has been investigated by another commission.

Sir HENRY DRAYTON: It was put in their account one day and taken out almost the next. It was put there, where it could deceive the Government and must have deceived it. It was put there when it could enable the dividend to be paid and the dividend was paid.

Major BELL: You will know that money was not used for dividend purpose. The deposits are not used for dividend purposes and the Home Bank advertised they were going to pay their interest before that.

Sir HENRY DRAYTON: The meeting was held after that deposit.

Major BELL: It was advertised in the Canada Gazette before that deposit was made.

Sir HENRY DRAYTON: The real thing that was found in connection with the Home Bank inquiry, if anything has been found, was that the deposits were made use of for the purpose of—

Mr. KYTE: That is entirely out of order.

The CHAIRMAN: That is entirely out of order.

Mr. KYTE: The Home Bank investigation took place in another court.

The CHAIRMAN: I have no desire to rule out of order anything that is pertinent to this discussion.

Sir HENRY DRAYTON: The Chief Whip asks for a ruling. Will the Chair make it?

Mr. KYTE: I have suggested this is not a matter pertinent to the present inquiry. The evidence is there. Why thresh it over again.

The CHAIRMAN: I know of no connection between that question and the matter of the purchasing of the Paris property.

Sir HENRY DRAYTON: The Chairman rules it out of order. I want to know where I am.

The CHAIRMAN: Yes, I do.

Sir HENRY DRAYTON: You rule it out of order. Very good.

By Sir Henry Drayton:

Q. Taking the removal of \$2,608,000 from the bank's regular account, in the Bank of Montreal, and taking it for the purposes of this deal, what do you call that? A switching of the bank deposit?—A. It is not a question of policy for me to decide that.

Q. I see. It is not a question of policy, so we do not want to say anything about that. Can you tell me, as a matter of fact, what deficit was made at the end of the month in the main account in the Bank of Montreal by taking that \$2,608,000 out?—A. The finances do not affect the legal department. I have not the remotest idea now what the effect would be.

Q. Can you tell me that?—A. I could not.

[Mr. Gérard Ruel.]

Q. If the result would be as I think the result is, as already shown by answers given in the House to decree a substantial overdraft in the Bank of Montreal, is your attitude just the same?—A. Absolutely clear as to the power to overdraw. I am only dealing with the legal rights.

Q. In your view this is legal to some extent, because sometimes statutes are construed as rights are construed, having regard to the objects of the Act. What, in your opinion, was the idea of the Act of 1919? Was it not rather that the railway should be administered in a businesslike manner at the smallest expense to the country, revenues applied to the payment of operating expenses and wages and the like, rather than that those revenues could be applied in the purchase of new capital assets?—A. I suppose the answer to that would be the answer given by Parliament as stated in the recital which says:

“Whereas His Majesty on behalf of the Dominion of Canada has acquired control of the Canadian Northern Railway Company and of the various Constituent and Subsidiary Companies comprising the Canadian Northern System, as specified in the First Schedule to this Act, and it is expedient to provide for the incorporation of a company under which the railways, works and undertakings of the companies comprised in the Canadian Northern System may be consolidated, and together with the Canadian Government Railways operated as a national railway system.”

That is the answer.

Q. Taking your answer, is your idea that the railways, having in view legislation, ought to be run so that their current receipts would be employed in payment of current liabilities or that their receipts should be employed for the purpose of extending the operations of the system?—A. That is a financial question. I do not think that is a legal question.

Q. It goes to the very meat of the matter?—A. It is a policy of finance. There are people who are paid to do that kind of thing and I do not interfere with them.

Q. Who would those people be?—A. The President, and Vice-president of finance.

Q. At present, as a matter of law, is it possible to withdraw large sums of money from the banks of the system in a new matter without the consent and approval of the directors?—A. Yes.

Q. It is?—A. Yes.

Q. We had it from Sir Henry Thornton that the first and I hope Mr. Kyte will listen to me now carefully and say if it is wrong, because if it is wrong I want it put right—that the directors knew about this matter was when the case came up in Parliament in June of last year. I think he said that. In your view was it or was it not necessary for Sir Henry (Thornton) to consult his Board before committing his Board to this new capital expenditure?—A. It was not necessary but it should be.

Q. It was not necessary but it should be?—A. Yes.

Q. What amendment would you suggest for the purpose of curing that situation?—A. I would amend the by-laws of the company so that any expenditure of say, over \$100,000 should be approved first by the Board or the executive committee. The Executive Committee is simply the same Board in a smaller quorum.

Q. Do you not think it also should go to the extent of controlling the handling for deposit purposes of the moneys of the system?—A. That is a matter for the Vice-president of finance. I would take his recommendation on that matter preferably. I never butt in on another department if I can avoid it.

APPENDIX No. 5

Q. Then Sir Henry (Thornton) told you and he told us that he had some people in mind who would take the property over?—A. Yes, he said he had some people in mind.

Q. Did you get any definite information as to that?—A. No, it was just a casual remark passed at that time as a reason given why we had the right to purchase.

Q. Just a casual remark?—A. Yes.

Q. Did you at any time draw up any papers in connection with anybody else taking it over?—A. Except in connection with the Prudential Trust Company, of which Major Bell has spoken.

Q. We are familiar with that?—A. That is the only one.

Q. You had nothing with any New York gentleman or anything of that sort?—A. No.

Q. That is all I will trouble you with.

By Mr. Kyte:

Q. What is your connection with the Canadian National?—A. Vice-president and general counsel.

Q. How long have you occupied such a position?—A. The Vice-presidency since the first of 1923; general counsel since about 1920. I have been with the Canadian Northern since 1903 but then I was assistant in the early days and went up through the lines.

Q. As general counsel for the Canadian National from the time of its inception?—A. Yes, since the Government took it over.

Q. In such capacity you advise them in all matters submitted to you?—A. All legal matters, and sometimes I butt in on others.

By the Chairman:

Q. You are the Vice-president?—A. Yes.

By Mr. Kyte:

Q. The other day Sir Henry Drayton read a letter in which he had referred to a sinking fund?—A. Yes.

Q. Would you please explain the point which was made by Sir Henry (Drayton) on that occasion?—A. Well, that was this Aronovici letter, which I dealt with in the first part of my evidence, and I used the words "sinking fund," in there because Aronovici dictated it in that way. He was referring to the \$25,000 payment on account of the sinking fund, but we did not treat it seriously because it did not amount to anything. I did not pay much attention to it after we got the "option to purchase" clause put in. The whole advantage of the matter was in our right to purchase. Nothing else mattered at all.

Q. No sinking fund entered into the transaction at all?—A. No sinking fund entered into the transaction at all. I did not take the \$25,000 as being worth anything at all.

Q. So the mare's nest that Sir Henry (Drayton) thought he discovered in that letter turned out to be nothing but an ant hill?—A. Nothing at all.

Sir HENRY DRAYTON: Are you an authority on mares' nests or ant hills?

Mr. KYTE: There is some comparison that might be drawn between Sir Henry (Drayton) and that particular body.

By Mr. Kyte:

Q. Who was the solicitor of the Canadian National Railways in Paris, the legal adviser?—A. The solicitor was Mr. Archibald.

Q. What are Mr. Archibald's initials?—A. S. J. He was selected by Linklaters. Linklaters are our London agents and have been for a number of years.

[Mr. Gérard Ruel.]

14-15 GEORGE V, A. 1924

Q. Mr. Archibald is a Canadian, I understand?—A. Yes.

Q. He is a son of the ex Chief Justice?—A. Yes, I believe a very high type of man. I wanted to get the very best legal assistance over there in connection with closing this enterprise because we knew nothing of the French law regarding holding property, whether we had to register or whether we had to form a private company, but we knew a private individual could exercise any powers providing the law of aliens did not prevent, and I told our counsel to have Linklaters get the best counsel we could in France to see that there were no mortgages against it and that is was cleaned up. That was done.

Q. All the documents in connection with that transaction were very properly in the hands of your solicitor in Paris?—A. Yes. The documents are notarial documents. They are kept in Paris, the same as notarial documents are kept in the Province of Quebec. They sent out notarial copies. I have them down in Montreal.

Q. So there was no reason why those documents should have been in your hands at all in so far as anything you had to do with the transaction was concerned?—A. I did not want them at all. I was relying on Mr. Archibald.

By Sir Henry Drayton:

Q. Well, we will get back to the ant hill and the mare's nest. Now, take that document and tell me, as a lawyer, if there is any sinking fund provision in it and if there is read it?—A. It is in the clause headed, "Terms of security" and reads this way:

"Terms of Security. Interest at the rate charged us by the bank in making advances per annum, payable half yearly out of the rental as specified below. Principal repayable in twenty years, or such additional time as may be necessary to enable the sinking fund, hereinafter provided, to retire the whole indebtedness."

Q. I am asking you to read, "the sinking fund hereinafter provided". Where is that?—A. I just read it.

Q. Where is that?—A. The sinking fund to which that reference was made—I was drafting this on dictation from Aronovici as we went down the line.

Q. I know you had infinite difficulties. I am asking you, as a lawyer, to tell me where that sinking fund is.—A. There is none. It is \$25,000 per annum.

By the Chairman:

Q. It is simply a proposed payment on account?—A. Yes.

By Sir Henry Drayton:

Q. I am quite content to take your answer. There is no sinking fund?—A. No.

Sir HENRY DRAYTON: My point is made good absolutely, notwithstanding what the Chief Whip says.

Mr. KYTE: If Sir Henry (Drayton) is satisfied, I think I am.

The CHAIRMAN: The witness has stated there was no sinking fund.

Sir HENRY DRAYTON: That is what I said before. There is the fact.

The CHAIRMAN: Very good.

Sir HENRY DRAYTON: Go a little farther. There is a provision for the forfeiture of sinking fund payments to Aronovici. I apologize for delaying the Committee, which I would not have done if Mr. Kyte had not brought up this ridiculous position.

Mr. KYTE: Sir Henry (Drayton) should not monopolize all the time of the Committee.

[Mr. Gérard Ruel.]

APPENDIX No. 5

WITNESS: I am looking for that clause. I do not think I can see it.

Sir HENRY DRAYTON: I do not think it makes much difference any way.

By the Chairman:

Q. If there was no sinking fund you could not forfeit it?—A. The only thing I was interested in was to see that the purchase price was properly stated and that the mortgage form was drawn up by proper legal men in France. This did not amount to anything at all, except the "option to purchase" clause.

By Mr. Kyte:

Q. There are one or two questions here: Look at question No. 1 in the Orders of the Day of the House of Commons.—A. Oh yes, that is the lease at Prince Rupert.

Q. I will put the questions as they are here.

The CHAIRMAN: Have these any connection with the Paris deal?

Mr. KYTE: No, but since Mr. Ruel is here I would like to get some information from him.

The CHAIRMAN: I think he better finish, if there are any other questions on the Paris subject.

By Mr. Mackinnon:

Q. Is it usual to provide that the outgoings should be paid by the vendor in an option like that? The point is, should not the man who sold to the National Railways have paid for these tenants who had rights there?—A. It depends on the bargain.

Q. But should it not be put in the bargain?—A. It would depend on the wording of Aronovici's option, which I have never seen.

Q. It is no difference what his bargain was?—A. We were to take him over and pay him off, paying off his note and paying off his mortgage.

Q. And pay the outgoings provided they were reasonable?—A. That is left to Major Bell, to decide what were the outgoings but we would not expect Aronovici to suffer any loss in connection with the transfer fees. We want to be reasonable.

Q. Would you not look into his terms of purchase before you would draw a bargain for the C.N.R.? Would you not look into his terms, that all the tenants would get possession at a certain time or else they would be out and give that claim up?—A. Damages should be provided for and charged to the man who sold. If Aronovici were selling us there would be no question about that, but he was acting as our agent, with the right, on our part, to take him over and pay him off.

Q. If he were your agent would it not be your duty to see that you were getting the property free from all claims by tenants?—A. The original letter which I have read over once or twice, that is the letter of the 30th of April, specified certain payments which were to be made by the company for the purpose, if I remember rightly, of covering just those same things.

Q. Is there something in the letter?—A. I find this was the letter which I read, April 30th,

"You are to acquire the property in your own name for amounts not to exceed the following:

(a) 30,000,000 francs for the building and lot.

(b) 12 per cent on this amount for the taxes payable to the Government of France;

[Mr. Gérard Ruel.]

- (c) 3,600,000 francs for removal of existing tenants;
- (d) 300,000 francs (estimated) for fees and commission;
- (e) \$50,000 (estimated) for sundry expenses;

Making an estimated total of 37,500,000 francs."

Q. You provide for that in that agreement?—A. Yes.

Q. I just wanted to bring that out.—A. Yes.

Q. 3,600,000 francs?—A. Yes.

Q. Did it exceed that?—A. Major Bell is the one who handled that.

Q. Did it exceed that, the damage paid to the tenants?

Major BELL: Yes.

By Mr. Mackinnon:

Q. It was an estimate made, more or less on that particular day?—A. Yes.

By Major Bell:

Q. 3,700,000 francs. The vendor would not be entitled to anything in excess of that?—A. He was to acquire the property in our name and we were trying to limit him, at that time, to the amount he should be permitted to expend in the acquisition of the property. He ran over it to the extent of about 100,000 francs.

Major BELL: He ran considerably over what we had to pay and we refused to pay it. That was included in the 1,735,000 francs.

By Mr. Mackinnon:

Q. Have you the 1919 Act there?—A. Yes.

Q. What is clause 12, or clause 14, the one that deals with control?—A. Clause 12 relates to the power to transfer to the company the stock or controlling interest of His Majesty in any railway company.

Q. The Board shall have the control of the management of the roads?—A. I do not know what section that is. You are probably referring to Section 11.

Q. Would you read that?—A. (Reads):

"The Governor in Council may from time to time by Order in Council entrust to the Company the management and operation of any lines of railway or parts thereof, and any property or works of whatsoever description, or interests therein, and any powers, rights or privileges over or with respect to any railways, properties or works, or interests therein, which may be from time to time vested in or owned, controlled or occupied by His Majesty, or such part or parts thereof, rights or interests therein, as may be designated in any Order in Council, upon such terms and subject to such regulations and conditions as the Governor in Council may from time to time decide; such management and operation to continue during the pleasure of the Governor in Council and to be subject to termination or variation from time to time in whole or in part by the Governor in Council. Any such Order in Council shall be laid before Parliament within ten days after the opening of the next ensuing session, or if Parliament be sitting at the time such Order in Council is passed, then within ten days from the date of said Order in Council."

Q. What I am coming to is the giving of control of the Board.—A. "Entrust the management and operation."

Q. That is the wording. —A. "The management and operation."

APPENDIX No. 5

Q. These are the two words?—A. Yes. That is all that has been entrusted to us.

Q. That is a legal point I would like to know. Under the "management and operation" would you include the purchase of a hotel like this?—A. No. This only relates to the Intercolonial. The officers cannot acquire anything under the Crown nor can we construct anything for the Crown.

By Hon. Mr. Graham:

Q. That would refer to the Transcontinental Government Railways?—A. It only refers to Government railways.

By Mr. Mackinnon:

Q. Management and operation of Government railways?—A. Yes.

Q. What clause applies to the management of Government railways?—A. That comes in under Clause 11 of the previous Railway Act, except wherein certain provisions shall apply to the company in its undertakings.

Q. When you speak of having the same powers as the Canadian Northern and the Grand Trunk, is that vested in His Majesty or is it vested in the Canadian National Railway?—A. In so far as the Canadian National Railway Company is concerned, it is vested in the Canadian National Railway Company. The scheme in the Act is this: The title to the Intercolonial and the Transcontinental and all the Government railways is vested in the Crown. We do not want to give these properties to the Canadian National, so we only give them the powers of operation and management. We left the title where it stood. The Canadian National actually owns the old Grand Trunk because it has been amalgamated with it. All the properties of the old Grand Trunk are vested in the Canadian National by amalgamation. The Government Railways was not so. They are based in the grant, and all we do is to act as agents for them.

By the Chairman:

Q. That includes the old C.N.R.?—A. No, the old C.N.R. runs on its own basis.

By Mr. Mackinnon:

Q. Under that interpretation you cannot buy, say, on the Intercolonial, an hotel?—A. Not unless we got the power from them.

Q. So this old Government railway was under a different management?—A. They are under our control for operation and management because we are acting as general managers, as it were, of this railway. We cannot sell anything or buy anything for them or make a capital expenditure for them. That is controlled by the Minister of Railways under the Department of Railways and Canals Act.

Q. But, as the Canadian National organization, you have to pay no capital?—A. No.

Q. You are simply acting as trustee?—A. Yes.

Q. Then you may have the legal right, by the assignment of this power of the C.N.R. or the Grand Trunk, to buy a hotel or acquire property, but is that not limited by the power whereby you are trustees only; you are holding it in trust for the Government?—A. No. You must distinguish there between the Canadian Government Railways and the property invested in the company itself. As to the property invested in the company itself, the Canadian National, or the old Grand Trunk, have full powers of a company.

Q. By assignment to you?—A. No.

Q. It comes to you by statute?—A. Yes.

Q. All the powers are assigned to you?—A. Allocated.

Q. You have that, as a Canadian National organization?—A. Yes.

[Mr. Gérard Ruel.]

Q. As the Canadian National, you paid nothing for it?—A. Oh, no——

Q. The Canadian National has paid nothing?—A. The company did not. The company has the operating end of it, under its powers.

Q. It pays for this power—it has a charter?—A. The powers are granted to it by Parliament.

Q. In relation to a matter of this kind you act as if you were a corporation, with shareholders, and with your shares paid up, as a distinct railway corporation?—A. Which we are, yes.

Q. And you claim to be that?—A. Yes, except as to the Government railway.

Q. There are two managements now?—A. Yes, two kinds of management; one is our company management——

Q. I thought you were simply trustee for the Government, and would go into no large capital expenditure without the authority of the Government?—A. There is no such distinction.

Q. You are simply trustees, not the owners?—A. We are a legal entity for the purposes of management.

Q. And the trust is acquired——A. It is always the shareholders, in this case the Government.

Mr. GAUVREAU: This is all very interesting——

The WITNESS: This is a legal fight we are having.

Mr. MACKINNON: Would you like me to quit?

Mr. GAUVREAU: Oh, no.

The CHAIRMAN: Are there any further questions on the Paris property?

Mr. GAUVREAU: It seems to me we should get some facts.

Mr. MACKINNON: I thought I was getting facts. These are legal facts. That is what we are here for.

The CHAIRMAN: Well, we want to make progress——

Mr. MACKINNON: I thought I was making progress. I understand that very differently. If I ask the Minister of Railways for a branch of railway for the Maritime Provinces, I see, by his interpretation, I would not get it.

The WITNESS: I would have to build a Canadian National branch.

Mr. MACKINNON: You could build branches for the Canadian National——

The WITNESS: Yes.

Mr. MACKINNON: That should not be. There should be no distinction.

The WITNESS: It is a question of detail.

Mr. KYTE: Just one question, Mr. Chairman.

By Mr. Kyte:

Q. Referring to the selling of lots at Prince Rupert, owned by the Canadian National. Did they sell a large block of lots, numbering upward of 1,000, about a year ago, and if so, how many?—A. I don't know how many. I know they disposed of a number of lots in Prince Rupert.

Q. Was the price \$7 per lot, or if not, what was the price?—A. I don't know what the price was, but the situation was this: The property in Prince Rupert was assessed at a very large assessment. We appealed against the assessment for a number of years with the intention of getting it reduced, but were unsuccessful. We did not consider the property of much greater value—rather a lesser value than the actual taxation—less than the assessment against it. We tried to give that property to the city, to have them take the property in discharge of the taxes. They said no, they would not do that; the taxes

APPENDIX No. 5

were assessed against the company, and we had no remedy, no redress. We said, "Will you take the property and sell it to anybody to discharge the taxes?" and they said, "No, you have to pay the taxes." We, therefore, paid all the taxes, and then transferred the property to Duthie. If the city wants to get that property to-morrow we will give it to them; we will get it back and hand it over to them, but we do not want to pay taxes on property that should not be assessed.

Q. You take the ground that the property should not be assessed at all?—

A. No. I do not know the exact amount because I did not attempt to keep the figures. We say the property is not worth the amount of the taxes, which is about \$5,000. We say, "We will give you the bally property; take the whole thing," and they say, "No, we don't want it; we want you to pay your taxes." You see how helpless we are, but we say, "All right, we will put it in the hands of Mr. Duthie until you come to your senses."

Q. Were the taxes paid?—A. Yes, I had to pay all the taxes in arrear in full. This (indicating) is only this year's taxes, and if they want the property we will transfer it to them, but we do not want to pay taxes on value that is not there.

Q. Does Mr. Duthie hold the title to these lots in fee?—A. Yes, as our agent there. We can take it back any time we like.

By Hon. Mr. Graham:

Q. Is it your understanding that the company—speaking of the railway company—is undertaking now to have a conference with the provincial treasurers all over Canada, where the company's lines run, to arrive at some basis of taxation of the company's property?—A. Yes.

Q. Not including the Government Railway, of course. Is that the case?—A. That is the scheme.

Q. You hope to get at a clear solution of this?—A. Yes. Each province now taxes us for provincial taxes on the basis of their own; some have a high basis and some have a low. The municipalities also tax us individually in a greater number of the provinces, although in Manitoba they do not. What I want to do is to have a conference between the Government, ourselves, and all the provincial treasurers with a view of adjusting all the taxes on a reasonable basis, because my theory is that it is our duty to be fair, but we have no right to be generous with the Government's money, and we do not think one province should tax us more than any other province. Now, in this case at Prince Rupert: we would like to discuss that with the Provincial Treasurer of British Columbia, and we will ask him, "Will you take care of the taxes in the municipalities?" and if so, that will take care of the matter there. We would like all the provinces to come in and discuss the question as to whether they can take care of the provincial taxes, or as to whether we must continue. We would like to pay them in a lump sum on the same basis in each province. That is what we want to do.

By Sir Henry Drayton:

Q. That refers to the railway undertaking, as such?—A. Yes.

Q. That does not apply to vacant lots for sale?—A. That applies to all railway property.

Q. There is a great distinction between railway property, as used for that purpose, and lots held for speculative purposes—a different method of handling by the clerks in the various municipalities?—A. Quite right. We would like to arrive at a scheme respecting both classes of property.

Q. I do not see any reason why the Government should hold land for building purposes on a different basis to an individual?—A. We do not want them on a different basis; we want them to arrive at a fair conclusion.

[Mr. Gérard Ruel.]

14-11 GEORGE V, A. 1924

Q. I think you do need it on a different basis. There are two things: one is railway property, which is used for the purpose of the undertaking—A. Yes.

Q. I take it this man Duthie is your agent?—A. Yes.

Q. Just one of your people?—A. Yes.

Q. And it really makes no difference, the property being in his name?—A. Yes.

Q. If he is your agent, you are still liable for the taxes?—A. Yes; they can sell it to-morrow.

Q. They can bill you for the taxes?—A. They can bill Duthie; it is not in our name.

Q. Duthie is your agent?—A. Yes, according to law.

Q. He is only a stool pigeon there?—A. Practically a stool pigeon; it is postponing the payment of these taxes until we can talk it over. We will adjust that.

By Hon. Mr. Graham:

Q. I suppose, as a matter of law, Mr. Ruel, if they wanted to they could transfer this land to the Crown?—A. Yes.

Hon. Mr. GRAHAM: I would be opposed to that.

Sir HENRY DRAYTON: I thought we were to adjourn early.

Hon. Mr. GRAHAM: I want to ask one other question—

Sir HENRY DRAYTON: There was an understanding we were to adjourn for the Conservative caucus. Now if caucuses do not count—we were advised fairly all around that there was a Conservative caucus at 11.30. If caucuses are not to count—

The CHAIRMAN: Sir Henry, I am very much surprised to hear you make that remark. The Chair certainly had no desire to ignore your caucus. You were making your examination at the very moment—

Sir HENRY DRAYTON: I did not want to delay the Committee unless the Committee wanted to have itself delayed.

The CHAIRMAN: I would be very sorry to have Sir Henry think that was intentional on the part of the Chair.

Mr. KYTE: I can say very frankly that I did not know there was a Conservative caucus this morning.

The CHAIRMAN: Sir Henry spoke to me about it yesterday, but when he was going on with his examination—

Hon. Mr. GRAHAM: It would have been a shame to disturb him.

Sir HENRY DRAYTON: Very well, as long as we have the same rule all round.

The CHAIRMAN: It was entirely inadvertent, I assure you. Shall we adjourn now?

Sir HENRY DRAYTON: There is one way we can materially hasten things. If the accounts I asked for yesterday, the monthly statement, could be given to me this afternoon, I might be able to cut out a great deal of talk here.

The CHAIRMAN: Can we have those?

Major BELL: Do you want to see these this afternoon? If you like, you could go over these accounts with Mr. Henry this afternoon, Sir Henry (Drayton).

Sir HENRY DRAYTON: Yes. I can perhaps save half a day.

Hon. Mr. GRAHAM: Are you through with Mr. Ruel?

The witness discharged.

The Committee adjourned.

[Mr. Gérard Ruel.]

COMMITTEE ROOM 429,

HOUSE OF COMMONS,

WEDNESDAY, June 25, 1924.

The Select Standing Committee on National Railways and Shipping met at 10.30 o'clock a.m., Mr. W. D. Euler, M.P., Chairman, Presiding.

The CHAIRMAN: Gentlemen, if you will come to order; we have a quorum. We had proposed to go on with the accounts but I am informed we have a gentleman here this morning who is prepared to give us some further information with regard to the purchase of the property in Paris. I do not like to go on in the absence of Sir Henry Drayton. What is the pleasure of the Committee? Do you wish to go on with the examination of the witness or go on with the accounts.

Mr. STEWART: Could we take up a few more accounts and then revert to the Scribe matter?

The CHAIRMAN: Then we will go on with the accounts. Mr. Rosevear is here. Now, I do not know just what particular procedure you want to follow in connection with this. We had discussed pretty well the summary on page 5. Following that there is the report under the various headings. Do you want to go on with those or go right into the figures? We have on page 6 some information with regard to gross earnings, operating expenses, and so on.

Hon. Mr. GRAHAM: Are those not really the details of what appears on page 5?

The CHAIRMAN: Yes. I suppose it is in the nature of comment of what appears on the following pages.

Mr. STEWART: We were on page 19 when we adjourned the other day,—the details of Maintenance of Way and Structures.

The CHAIRMAN: Shall we go through this report in some sort of a systematic way from the beginning? Do you want to examine the balance sheet, the assets and liabilities? That appears on pages 14 and 15. Then we could go on with the profit and loss statement, and the income statement just as it appears in the full report. I think we ought to go on from the beginning and have some sort of continuity.

Hon. Mr. GRAHAM: We want to get through this week, that is sure. When I left yesterday you were discussing the question of maintenance of way and structures, to get some information on those. Those were questioned in the House. The accuracy—perhaps that is the wrong word—not the accuracy of figures, but the apparent fact that there was less expended on the maintenance of way and maintenance of equipment than there was the year before, and the reasons were being given yesterday when I left.

Mr. KYTE: I think Sir Henry Thornton finished that up pretty well. Sir Henry Drayton asked for the monthly statement of income and expenditure saying that by so doing he might shorten the proceedings.

The CHAIRMAN: That discussion came about directly in this way, as I recollect it: we were looking at page 5, the summary of expenses, and the first item was maintenance of way and structures. We discussed that in a general way and then went on with the details on page 19. If you want to finish that, well and good, and then we could go back to the other, maintenance of equipment, and discuss that in detail. And then on to "Traffic" and "Transportation", just as it appears in the record.

Major BELL: Sir Henry (Drayton) went over all these monthly statements yesterday afternoon with Mr. Henry.

The CHAIRMAN: Are you satisfied with what we have had on maintenance of way and structures?

Mr. STEWART: I was quite satisfied with the statement of Sir Henry Thornton regarding the results that might be secured from this smaller expenditure on maintenance of right of ways, but there are some other items on page 19, coming under that general heading "Maintenance of Way and Structures", which I think should be further explained. I might say that the only thought I had in mind was as to whether the expenditure of a lesser sum during the last year might not reflect in the years to follow, the year perhaps immediately succeeding and other years, and they would be necessarily increased by lesser expenditures in any one year. It might make a better showing for one year, but show a greater deficit in the years to follow.

The CHAIRMAN: Do you mean the following year there would be a greater expenditure necessitated, because they did not keep it up to the mark in one particular year?

Major BELL: Sir Henry (Thornton) answered that quite fully.

Mr. STEWART: I was satisfied so far as the items we took, ties, rails, ballast and elevated structures, but there are a score of other items here, and I think the majority of them show a decrease.

Major BELL: Have you any particular one in mind?

Mr. STEWART: I had several in mind. I did not mark them here, so I will have to look them up again. "Tunnels and Subways" is the first one—

Major BELL: Mr. Brown is on your right, the Chief Engineer of Maintenance, and he will be glad to answer any questions you have in connection with that.

Mr. STEWART: I notice the tunnels and subways are about 30 per cent or a little more, than the previous year.

Mr. HENRY: That is a smaller amount.

Mr. STEWART: For my information, can you tell me this; does that from year to year vary in a proportion something like that?

Mr. BROWN: This expenditure is small for tunnels and subways, and it varies from year to year, but it represents a condition that is quite general.

Mr. STEWART: I would take that to be satisfactory.

The CHAIRMAN: I notice a very great decrease, a reduction of about 50 per cent in the item of maintenance of yard tracks and other facilities.

Mr. HENRY: That is by reason of the fact that in the previous year this was an inter-company charge, which has been eliminated this year.

Mr. STEWART: Another item is grain elevators. It is not a large difference, but there is a considerably lesser expenditure.

Mr. BROWN: That may be explained by saying that a number of these elevators which have been owned by the company have been leased by private companies, such as certain large elevators at Fort William, and they undertook to make these charges under the lease.

Hon. Mr. GRAHAM: Would that apply to the elevators in the Montreal Harbour?

Mr. BROWN: We have nothing to do with that. That was sold to the Harbour Commissioners.

Mr. STEWART: That is, there are fewer elevators that are under the control of the management of the railway?

Mr. BROWN: Yes.

Mr. STEWART: Item 247; "Telegraph and Telephones." There is \$100,000 less expenditure—

Mr. HENRY: That was a general increase.

APPENDIX No. 5

Mr. STEWART: Item 272; "Removing Snow, Ice and Sand." That is a considerable increase. That is a seasonable condition.

Mr. BROWN: That is an exceptional condition that accrued in the Atlantic region last year.

Mr. HENRY: We can take these up one by one, if you desire.

Mr. KYTE: Item 274; "Injuries to Persons." What liability does that indicate? Who can answer that? Was that actions brought against them or gratuities, or what is it?

Major BELL: Mr. Henry will give you all that,

Mr. HENRY: That is item 274?

Mr. BROWN: (To Mr. Henry). I think you have a memo on that.

Mr. HENRY: There is an increase of \$85,000 on the western region, heavier payments having been made through the Compensation Board of Manitoba, Alberta, and British Columbia; payments to 11 employees amounted to \$45,000 and \$12,000 was paid covering administration expenses of Workmen's Compensation Boards of Manitoba and British Columbia for 1921 and 1922.

Mr. KYTE: It is \$316,000; that represents your contribution to the Workmen's Compensation Boards of the various provinces?

Mr. HENRY: Yes.

Mr. GAUVREAU: Now, item 235; "Shops and Engine Houses." There is an increase. Does that mean new shops or new machinery?

Mr. HENRY: No. This is maintenance. That is the proportion chargeable to maintenance, but the shops and engine houses come in periodically; they are long-lived structures which come in periodically, and during that year I think were heavier than the previous year. I can give you a list of the specific places where these increases took place, if you want it. There is an increase on the Grand Trunk Western lines, due to heavy repairs to shops and engine houses, particularly at Battle Creek, Durand, Saginaw, Jackson, Port Huron, Milwaukee and Grand Haven. On the central region there were none.

Mr. GAUVREAU: That is what I wanted.

The CHAIRMAN: There is a heavy increase under "Insurance."

Mr. HENRY: That is largely due to the fact that under the old system there was no insurance carried upon the property—perishable property of the Canadian Government Railways. This year it has been included in the ordinary way.

Hon. Mr. GRAHAM: But this is really paid into our own insurance fund?

Major BELL: Perhaps we had better explain that the insurance for both fire and marine is carried by the railway itself; every month so much is deducted and put into a fund in cash and against that fund we charge out all our fire losses, and comparing 1923 with 1922, when we carried a greater portion of our insurance in outside companies, we made a saving of over \$1,000,000, but that is not reflected in the surplus; it is reflected in the surplus of the fire fund.

Mr. HENRY: That is correct.

Mr. STEWART: What arrangement was there between the Government and the Canadian National Board regarding the fire losses on the Government-owned railways operated by the Canadian National?

Major BELL: We charged the premium, and deposited it in the fund of the Government-owned railway, just the same as the National. Any loss is paid for out of the fire fund, and a surplus, if any, is credited to the Government railway in the fund. This is divided as between the company—

The CHAIRMAN: There is no actual transfer of money?

Major BELL: No, we have to have cash, because if we did not do that, that money would lapse and we would have to come to Parliament for a vote. To run the insurance fund properly we practically give it to the Government, because we invest it in Government bonds, and there is a small committee of the Board who from time to time check over all the investments of the Financial Department.

The CHAIRMAN: How much of a surplus have you in that fund?

Major BELL: Roughly speaking between \$3,000,000 and \$4,000,000.

Mr. MILNE: Is the Merchant Marine Insurance carried in the same way?

Major BELL: In the same way. There are a few policies which have not lapsed, but which will lapse in a few months, and before the end of 1924 it will all be carried in our own fund.

Mr. STEWART: With regard to the Merchant Marine; how long has this been in effect?

Major BELL: This was put into effect with the new Board. When Sir Henry (Thornton) first came out the matter was taken up and was dealt with by, I think, the Board Meeting of February, 1923. In the meantime, we renewed our insurance that was lapsing on December 31st, 1922, a month at a time, until the policy was determined by the Board, and they determined to carry their own insurance.

Mr. STEWART: Was that \$1,000,000 you refer to part of the general insurance you carried on the Marine—

Major BELL: Both. It is in the Annual Report.

Mr. STEWART: Does the insurance on the Merchant Marine show an equal profit to the railway, over the expense that would be incurred insuring with private companies?

Mr. KYTE: Mr. Chairman, if you will permit me I would suggest—

Mr. HARRIS: Before Mr. Kyte speaks. I might say I happen to be on the Banking and Commerce Committee and this morning the business of the Banking and Commerce Committee, as everyone knows, is extremely important, especially for some of us who happen to have two branches of the Home Bank in our constituencies. An argument is being given before that Committee, and inasmuch as I am a member, I find I will have to withdraw from this Committee this morning.

Hon. Mr. GRAHAM: Our difficulty is this. The other day, if my memory serves me right, Sir Henry (Thornton) was asked to give the name of a gentleman who advised him in reference to the Paris building. He did not care to say who the gentleman was. Now, one of the gentlemen is here and is ready to give his evidence.

Mr. HARRIS: Was it understood he was to be here this morning?

The CHAIRMAN: No, we did not know it yesterday.

Mr. HARRIS: I think the Committee will appreciate my position.

The CHAIRMAN: Could this gentleman be here later on, or will that make it awkward for him?

Mr. KYTE: (To Mr. Pratt) Are you remaining in Ottawa?

Mr. PRATT: All day.

The CHAIRMAN: And tomorrow?

Mr. PRATT: I am not sure.

Hon. Mr. GRAHAM: If you don't mind waiting, we will go on with something else, and perhaps Sir Henry (Drayton) may come in. I do not want him to think we are doing anything without his knowledge.

APPENDIX No. 5

Mr. KYTE: Mr. Pratt would like to know about what hour it would be convenient to hear his statement. I wonder if we might assume Sir Henry (Drayton) could be reached by 12 o'clock.

Hon. Mr. GRAHAM: Supposing we make it half-past twelve, and that will give Sir Henry Drayton lots of time.

Major BELL: Mr. Pratt, so we will have it on the record, may I ask if you are a Canadian, residing now in Paris?

Mr. PRATT: Yes.

Major BELL: Your headquarters are in Paris?

Mr. PRATT: Yes.

Mr. KYTE: Thank you. Come in at half-past twelve.

Mr. PRATT: That is advanced time?

Hon. Mr. GRAHAM: I call it "foolish" time, Mr. Pratt.

The CHAIRMAN: Here comes Sir Henry (Drayton) now.

Sir HENRY DRAYTON: I have been looking for the Committee Room.

The CHAIRMAN: I would like to say for the information of Sir Henry (Drayton) that we have a gentleman here this morning who was referred to the other day by Sir Henry Thornton with regard to the purchase of the Paris property, and I would like to call him for examination. Will someone move he be called?

Mr. KYTE: Move that Mr. Pratt be called and asked to make a statement.

Mr. MILNE: Second the motion.

The motion agreed to.

LOUIS PRATT, called and examined.

By Mr. Kyte:

Q. Mr. Pratt, where do you reside?—A. In Paris.

Q. Are you a Canadian?—A. I am.

Q. What part of Canada?—A. I was born in Missisquoi County, Eastern Townships.

Q. Province of Quebec?—A. Yes.

Q. Are you in business in Paris?—A. I am.

Q. What is your business?—A. Brokerage and Commission.

Q. Where is your place of business located in Paris?—A. My offices are at 4, Rue Edouard Sept.

Q. Is that in the neighborhood of the Hotel Scribe?—A. Just alongside of it; just back of it.

Q. Do you know the Hotel Scribe property?—A. Very well.

Q. Could you state briefly the important buildings that occupy the neighboring sites?—A. Of the Hotel Scribe?

Q. Yes?—A. Facing it is the Grand Hotel.

Q. What sort of a building is the Grand Hotel?—A. It is the leading hotel in Paris, a very large hotel, it is the largest hotel in Paris, and I believe the travel is enormous from there to all parts of the world. It is always full, and it is said that nearly all strangers coming to Paris pass there or stop there.

Q. At this hotel—A. Yes.

Q. What other important institutions are in that neighborhood?—A. Just at the back of it is the Rue Edouard Sept, named after King Edward, finished in 1914 and is now occupied by a large banking concern.

Q. What is that called?—A. Société Générale, the third largest bank in Paris.

[Mr. Louis Pratt.]

Q. How long have you occupied the premises in the neighborhood of the Hotel Scribe?—A. Since 1919. I rented there in March, 1919.

Q. Will you please inform the Committee what your experience is as regards the increases in rentals since then in that part of the City of Paris?—A. Right in that particular place, in that section of Paris, around Rue Scribe, Boulevard des Capucines, Place de l'Opéra—in there—it has been increasing very rapidly. Take it in my own case, for instance. I rented my offices in 1919 from the British Tank Commission; they were occupied by the British Commission during the war. I am paying 25,000 francs a year, and I have ten small rooms. Since then they have increased very rapidly until last year the Société Générale bought out the whole of the street of the Rue Edouard Sept, which has buildings on both sides of the street; it is a short street; it runs from the Boulevard des Capucines, and they have been trying to buy out our leases. About two and a half months ago I was offered to surrender my lease, which has four more years to run, 100,000 francs, and a little later 150,000, which I refused, and I am in a position now to turn the possession over for 50,000 francs a year.

Q. What you leased in 1919 for 25,000 francs you can get 50,000 for now?—A. Yes, any time I like to take it.

Q. Where are your premises with reference to the Hotel Scribe?—A. Well, the backs of the two buildings come together; the back of the Hotel Scribe and the back of our building come together.

Q. Your building is facing Rue Edouard Sept?—A. Our building faces the west and the Hotel Scribe faces east.

Q. Please indicate the streets they face?—A. The Hotel Scribe is on Rue Scribe facing the Grand Hotel, and our building is on Edouard Sept, the back toward the Scribe, and facing west.

Q. Do you know something of the value of properties—business properties—in the city of Paris?—A. Yes, in a way. I have acquired a good deal of knowledge since I have been there.

Q. And from your knowledge of the city of Paris and the location of business, what would you say with respect to the site of the Hotel Scribe?—A. Well, it would be very difficult to give an accurate—

Q. No, I mean as to its location for business purposes?—A. I consider that the Hotel Scribe as situated is the finest property in Paris within a radius of a quarter of a mile of the centre of Paris, because it is in the centre, next to the Grand Opera and the property around those streets is considered the gilt-edged of Paris.

Q. What business concerns are in the neighbourhood? You mentioned the Grand Hotel and the Societe Generale?—A. The Lloyds Bank have just purchased a very valuable corner across the street on the Boulevard des Capucines.

Q. Are there any steamship and railway offices in that quarter?—A. Yes; they are all moving on to the Hotel Scribe. The principal company, the Cunard, has just come in there, and the White Star, the Red Star, and the Canadian Pacific, and then right across the street is the Compagnie Generale Transatlantique.

Q. So all the steamship companies are concentrated in the centre?—A. All the vacant buildings, vacant during the war, have been taken up by steamship and railway companies.

Q. What would you say, Mr. Pratt, as to the value of the Hotel Scribe? What would you say as to the increase of the value of property since 1919 or 1920 up to the present day?—A. From 1919 to the present time I consider that property in that vicinity has increased at least from 75 to 80 per cent.

Q. And what would you say as to the increasing valuation in the near future?—A. I think there will be a steady increase for the next five years, for the reason that right in that vicinity there are no more properties available,

[Mr. Louis Pratt.]

APPENDIX No. 5

and anyone who wants property will have to pay large prices. There are no good properties available there now. This Hotel Scribe building was one of the old properties that changed hands, and there are no more, around there, that I know of, for sale. And the consequence is, I should estimate that values in the next four or five years will be very large, that is, the increase of values.

Q. Do you know what was paid for the Hotel Scribe?—A. I did not until this morning.

Q. \$2,700,000?—A. That is what I am told.

Q. What is your opinion as to the reasonableness of that, as a purchase price?—A. The general opinion among business men of Paris who know somewhere near what it cost is that it was a good buy, and it was thought over there that there had been \$3,000,000 paid for it; it was rumored that \$3,000,000 had been paid, and they thought that was a very reasonable price.

Q. Do you know Sir Henry Thornton?—A. Yes.

Q. How long have you known him?—A. About a year; a little over that—that is, personally.

Q. Do you remember meeting him in Ottawa something over a year ago.—A. Yes.

Q. What time was it, precisely?—A. It was somewhere between the first and the 20th of April, I cannot exactly remember the date, but I know I was in Ottawa about that time.

Q. Did he have any conversation with you regarding this property?—A. He did.

Q. Did you express any opinion to him as to the value?—A. I did.

Q. And did you express an opinion to him similar to that which you have given to the Committee to-day?—A. Yes. As to values. I might say that was discussed very little. I was informed that they were negotiating for the building, and I replied that if they were, it was better for them to do it quickly because I knew of two other concerns negotiating for it.

Mr. KYTE: That is all.

By Sir Henry Drayton:

Q. Mr. Pratt, are you in the real estate business?—A. No, sir.

Q. Who were the real owners of the Hotel Scribe?—A. I cannot tell you. It was a stock company. That is, there were some insurance companies interested in it.

Q. Some insurance companies?—A. At that time, yes; I do not know who they were.

Q. Do you know Aronovici?—A. Very slightly.

Q. Do you know anything about Aronovici's option?—A. No, I did not know he had any.

Q. So you did not know anything about it?—A. No, sir.

Q. In your view, is this neighbourhood around there as you described it to be, gilt-edged?—A. Yes.

Q. That property in this gilt-edged neighbourhood—you say that was bought out?—A. It was bought within the past year by the Societe Generale?

Q. What are the dimensions of that property?—A. Of the Rue Edouard Sept?

Q. Yes, the property bought within the year?—A. I cannot tell you Sir Henry, exactly. To my personal recollection I think it would run about double the size of the Hotel Scribe.

Q. And what was the price paid for that?—A. I cannot tell you that. I have only heard rumours.

Q. Do you know of your own personal knowledge the prices paid for any property around there?—A. Those are the only two properties I have any knowledge of.

[Mr. Louis Pratt.]

Q. That is, the Hotel Scribe and this other one?—A. Yes, those two large transactions are practically the only ones, excepting Lloyd's Bank across the Boulevard, which have changed hands in the last few years.

Q. Can you tell us anything about that one?—A. No, I cannot tell you.

Q. So then, as I understand you, you cannot give us the details of any transactions in that neighbourhood?—A. No. I could have got some of this had I known I was going to be here, but I was just passing through on a trip, and was asked to stop. I could give you a lot of these facts if I were home.

Q. Then you were telling us about the steamship companies. Does the Canadian Pacific do any considerable business in Paris?—A. Yes, I think they do. They have never had very large quarters; they are in a better office now than they were. They had a very small office up to a year ago, but I think they do quite a business.

Q. How would you place the ocean service of the C.P.R.?—A. I beg your pardon.

Q. In what way would you place the ocean service of the C.P.R.—the Canadian Pacific activities in Paris? Which would you look upon as the most important steamship company there?—A. Well, I should think the Cunard.

Q. And where, after the Cunard, would the C.P.R. come in?—A. I would not like to give you anything very definite on that, Sir Henry, because I do not know, but my best judgment would be that the Cunard, the Compagnie Generale Trans-atlantique, the White Star, and then possibly the C.P.R. That is just offhanded; I do not know definitely.

Q. How large an office have they in this gilt-edged neighbourhood?—A. The C.P.R.?

Q. Yes?—A. Well, they had a very small office, as I say, until last year, and they moved in now with the offices, I think of—let me see what that name is. It is an English company. They are right next door to the White Star. They have a very nice office there.

Q. A very nice office now?—A. Yes.

Q. Have you any idea of the dimensions of it?—A. I have an idea, but I could not give you anything you could rely upon. I have been in there frequently and it is a very nice office.

Q. A sufficient office, you think, for the purposes of the business?—A. I think so.

Q. What rent do they pay?—A. I don't know.

Q. Then outside of the C.P.R., is there any other company, or railway, in Canada or the United States with offices in Paris?—A. There is the American Express Company.

Q. That is not a railway?—A. They do a railway business.

Q. Just the same as all express people do. But outside of the American Express Company is there any other company there at all?—A. Foreign company?

Q. Yes?—A. No, not that I know of, at the present time. The German lines are some business in there, but not in their own offices.

Q. I was asking you with regard to companies this side of the water?—A. No, I do not know of any others at the present time.

Q. You have told us you did not act as a real estate agent yourself. Have you ever owned property in Paris in that neighbourhood?—A. Not in that neighbourhood. I do own some property in Paris. I belong to the British Chamber of Commerce in Paris, and in that way get a good deal of inside information.

Q. That is all you can tell me about that—or is there anything further you can say?—A. I do not know, Sir Henry, on what line.

Q. Then you were out here between April first and April 20th, seeing Sir Henry Thornton?—A. Yes.

APPENDIX No. 5

Q. How did you come to see him? Did you come to see him about this?—
A. No. As I said, I did not know a thing about the Hotel Scribe until I met him. I met him in the Parliament Buildings, with some friends, in a friendly manner, not to speak of business at all. I was on my way to the coast; I was going to Vancouver and I stopped off in Ottawa to visit my friends.

Q. And as I understand your evidence given to Mr. Kyte, you did not discuss values with him?—A. No.

Q. But you did tell him if he was after that property—what did you say, that “He ought to be quick about it”? that “There were two other concerns after it”?—A. Yes, that is about all the conversation we had.

Q. Who were the two other concerns?—A. That I am not at liberty to tell you. I am sorry, Sir Henry, I got that information in a very confidential manner before leaving Paris.

Q. Did you get that from the concerns themselves?—A. One of them, yes.

Q. But you cannot tell us the reason—

Mr. KYTE: He gave you the reason.

Sir HENRY DRAYTON: He says it was in confidence.

Mr. KYTE: Is that not a reason?

Sir HENRY DRAYTON: Confidence might mean one of two things—

Mr. KYTE: Confidence means confidence.

Sir HENRY DRAYTON: It might make a difference; sometimes confidence is justified and sometimes not.

The CHAIRMAN: He does not care to give the answer.

The WITNESS: They were reliable concerns.

By Sir Henry Drayton:

Q. Do you know what price they were willing to give?—A. Only from hearsay, if that is any good.

Sir HENRY DRAYTON: No, that is not any good.

The CHAIRMAN: Any other questions by members of the Committee? If not, the witness is excused. Thank you very much, Mr. Pratt.

(The witness retired).

The CHAIRMAN: I understand Senator Wilson is here, to give some evidence. Will someone move that he be heard?

Mr. KYTE: In regard to this property?

The CHAIRMAN: Yes.

Mr. MACKINNON: I so move.

Mr. GAUVREAU: I second the motion.

The motion agreed to.

Hon. J. M. WILSON called and examined.

Hon. Mr. GRAHAM: I saw you sitting there and I heard you say the other day you had seen this property in Paris, and, frankly, that you had formed a favourable opinion of it. This is an informal Committee and we are trying to get all the information we can.

The CHAIRMAN: Mr. Kyte, will you proceed?

Mr. KYTE: Or Sir Henry (Drayton)?

Sir HENRY DRAYTON: He is the Minister's witness.

Hon. Mr. GRAHAM: A witness for the public.

Sir HENRY DRAYTON: I don't know about that.

[Mr. Louis Pratt.]

By Mr. Kyte:

Q. You are a Senator of the Dominion of Canada?—A. Yes.

Q. And you have been engaged in business in Montreal?—A. Yes.

Q. For many years?—A. Yes.

Q. You visit Paris frequently?—A. Yes, quite often.

Q. When were you there last?—A. I was there in March and April; I left there on the 10th of May.

Q. Of the present year?—A. Yes.

Q. Do you know the building recently purchased by the Canadian National Railways known as the Hotel Scribe?—A. Yes.

Q. What would you say as to its location with respect to the business district of Paris?—A. To my mind it is the best located property in Paris. In fact, I would go further and say it is the best property in Central Europe. It is the hub of that part of the world.

By the Chairman:

Q. For business purposes?—A. For business purposes. It is right in the centre of Paris and so situated that you can see the property on both sides of the street as you come out. The Avenue de l'Opera is the centre of Paris. You have the Boulevard des Capucines and the Grand Hotel here, and the Scribe Hotel and the Grand Hotel are located right there, and the Avenue de l'Opera and the Boulevard des Capucines are right together there, and you can see the whole front of the property. It is like a square.

By Mr. Kyte:

Q. Have you or have you not, any idea of the values of property in Paris?—A. No, I have no idea of values.

Q. Is there any other information that you think you can give to the Committee?—A. No.

By Hon. Mr. Graham:

Q. Now that the Canadian National Railways has this, do you think it would be a good idea for all the business of our Canadian activities to move into that building?—A. To my mind that would be the thing to do.

Thé CHAIRMAN: Have you any questions, Sir Henry?

Sir HENRY DRAYTON: No.

The CHAIRMAN: Any other members of the Committee desire to ask any questions? (To Senator Wilson) Thank you Senator.

Hon. Mr. GRAHAM: We have at least had the dignity of having a Senator give evidence before this Committee.

The witness discharged.

The CHAIRMAN: We were dealing with the item on page 19, Railway Operating Expense, Maintenance of Way and Structures. Any other items you want to examine further?

Sir HENRY DRAYTON: In connection with the accounts. Have you taken up the income statement on page 17?

The CHAIRMAN: No.

Sir HENRY DRAYTON: Is not that the first thing to take up? I will go on wherever you want me to go on.

The CHAIRMAN: I think we might go right through the report.

Sir HENRY DRAYTON: The income comes first.

The CHAIRMAN: We got into that as a sort of a summary.

[Hon. J. M. Wilson.]

APPENDIX No. 5

Sir HENRY DRAYTON: Have we exhausted any of the items yet?

The CHAIRMAN: We did not take them in order. Possibly if the Committee desire we might take them in exact order, and if there are no questions to be asked, we will pass on, or will you merely dip in as you go on?

Sir HENRY DRAYTON: This is the first page we took up this morning?

The CHAIRMAN: Yes.

Sir HENRY DRAYTON: I had an opportunity of going through the monthly statements yesterday afternoon and I want the gentlemen just to follow me because I think I can shorten this a great deal. This is the Maintenance of Way that we are on, under Railway Operating Expenses?

The CHAIRMAN: Part of the Railway Operating Expense.

Hon. Mr. GRAHAM: On page 18 there is Railway Operating Expenses.

The CHAIRMAN: How would it be if we left the Income statement, and since we are on Expense, begin on page 18 and follow through until we finish that subject? Is that satisfactory?

Hon. Mr. GRAHAM: Let us take some order so when we are through we are through.

Mr. HENRY: Page 18 are revenues, at the bottom—the general account.

The CHAIRMAN: The actual expenditures begin on page 19.

Mr. HENRY: The details.

The CHAIRMAN: Shall we go on item by item? I believe that will be the quicker way in the end. Then "Maintenance of Way and Structures", \$44,000,000 this year and \$45,000,000-odd last year. Any question on that?

Mr. HENRY: The details follow.

Sir HENRY DRAYTON: Will you follow me on that so that the Committee will have the facts? In connection with the first item which is the Maintenance of Way and Structures, and which includes items 201 and 279, the regular earnings—that is, the regular monthly accounts—commence with the new system as of the month of May.

Mr. HENRY: That is correct. That is the consolidation.

Sir HENRY DRAYTON: Then, for the purpose of keeping the accounts right, what the system did and did properly, was to make a summation of the appropriate items in the details of the different companies, and brought it down as the amount that had been spent.

Mr. COOPER: That is correct.

Sir HENRY DRAYTON: I do not think there is any issue as to the facts. I want to get the figures as near right as we possibly can. Just follow this, Mr. Henry. Starting out then with May: The figures for the month of May, 1923, are \$3,813,679.

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: For the same month in 1922 \$3,732,000.

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: For the period from the beginning of the year—that would be in the five months' period ending in May, 1923—\$15,934,454.

Mr. HENRY: I will have to get the details of that.

Mr. COOPER: Do you want us to verify that?

Sir HENRY DRAYTON: We went over this yesterday and I want you to verify this. We want to get this thing absolutely right. There should be no contention about it.

The CHAIRMAN: Can you get the facts?

Sir HENRY DRAYTON: Yes. They are right here. I think I have saved the Committee a lot of work yesterday, and it was a hot job doing it, too.

Mr. HENRY: The total for the five months?

Sir HENRY DRAYTON: The total for the five months, \$15,934,454?

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: And for the same period of 1922, \$14,621,556.

Mr. HENRY: That is right.

Sir HENRY DRAYTON: How would it do if I handed this statement in afterwards to the reporter? This has been gone over by Mr. Henry and the officials and myself. The first thing to draw attention to is this, that down to October—just look at your figures, Mr. Henry, again, the expenditures—that is those on Maintenance of Way and Structures—run very much alike. For example, in October, 1923, we spent under this item \$4,616,260, while for the same month the year previously the sum of \$4,649,330. They are running very much the same year for year. (*For statement, see page 214.*)

Mr. HENRY: Yes.

Mr. COOPER: These are from May, and not in the first four months of the year.

Sir HENRY DRAYTON: There is a difference in the first four months of the year, or the first five months of the year, it would be. Am I not right in saying it was five.

Mr. COOPER: Yes.

Sir HENRY DRAYTON: That is including May, because we have to take the details including May.

Mr. COOPER: The expenditures for the first five months would be less than the month subsequent.

Sir HENRY DRAYTON: The expenditures in the first five months were less than for subsequent months?

Mr. COOPER: Per month.

Sir HENRY DRAYTON: What have we before that? I want to give you credit for this in connection with the other matter, because you are entitled to take the whole year. You had spent at the end of the first five months, \$1,300,000 more than you did in 1922. Look at the figures for a moment and you will find I am right. I am not dealing with odd figures.

Mr. COOPER: \$1,231,000——

Mr. HENRY: \$1,231,000 more.

Sir HENRY DRAYTON: Then it runs along, as I say, just about the same, as we have agreed, from then on until the end of October.

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: Then in November there is a drop a million——

Mr. HENRY: There is a drop of——

Sir HENRY DRAYTON: A little over a million.

Mr. HENRY: \$1,023,000.

Sir HENRY DRAYTON: And in December?

Mr. HENRY: \$772,000.

Sir HENRY DRAYTON: So we have a drop of about \$2,000,000 in the report?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: I think you had better give the Committee an explanation of that drop?

APPENDIX No. 5

Mr. HENRY: Prior to the consolidation the practice of the Canadian Northern or, rather, the Canadian National with the exception of the Grand Trunk, was to budget their expenditures or their proposed expenditures over the year for rails and ties and charge them into the account during the months regularly throughout the year. On the old Grand Trunk the practice was to charge in during the month in which the expenditure took place. Generally speaking, that is the explanation for the drop in those two months. I think that is all.

Sir HENRY DRAYTON: There was a change made in the system of accounting at the end of October?

Mr. HENRY: No, the change in the system of accounting was made as of May, but it had this effect by reason of the fact that in the month of October there was nothing charged on this account, because nothing was done.

Sir HENRY DRAYTON: Then in December——

Mr. HENRY: The same thing would apply.

Sir HENRY DRAYTON: In other words, during those months of November and December, to use your expression, nothing was done?

Mr. HENRY: What I had in mind was that nothing was done in the way of renewing ties or putting in rails.

Sir HENRY DRAYTON: That makes a total saving for the year, although we were ahead down to that date almost \$1,000,000, practically \$1,000,000 on that account. That was the effect of that.

Mr. COOPER: No, \$841,000.

Mr. HENRY: \$841,000.

Sir HENRY DRAYTON: Then we will go on to the next item——

Mr. KYTE: May I ask one question?

Sir HENRY DRAYTON: Surely.

Mr. KYTE: Is it usual to lay rails and ties in these months?

Mr. HENRY: It is not, for the reason you cannot get labour in those months; labour is otherwise employed, and it is the best possible practice to do that work starting early in the spring and completing it, if possible, around the first of September; if that can be done.

Mr. KYTE: Were there as many rails and ties laid for these months as in the preceding year?

Sir HENRY DRAYTON: Be fair to the witness. Sir Henry (Thornton) said there were a million less ties laid. We want to be fair to these people.

Mr. KYTE: I want to get this explanation.

Sir HENRY DRAYTON: If he says it is just the same, he is falling into my hands.

The CHAIRMAN: Mr. Kyte, what was your question?

Mr. KYTE: As a matter of fact, I want to know if there were any ties laid in the corresponding months of the preceding year.

Mr. HENRY: (To Mr. Brown) Would there be?

Mr. BROWN: No. They stopped tie and rail renewals on account of the frost.

Sir HENRY DRAYTON: That was covered by the previous explanation. They struck a monthly average, and now the system is to charge them into the work.

Mr. STEWART: May we ask Sir Henry (Drayton) about these figures? He said he would file them with the reporter. Do they run for the whole year month by month fairly equally?

Sir HENRY DRAYTON: Down to the time I pointed out.

Mr. STEWART: You did not give us these figures.

Sir HENRY DRAYTON: I said there was a drop in that month.

Mr. STEWART: But these two months do show a decrease as compared with 1922?

Sir HENRY DRAYTON: Yes. Now then, passing on from that; in connection with the reserve:—

Mr. HENRY: With regard to the adjustment of \$600,000—

Sir HENRY DRAYTON: Oh, there was an adjustment to be made?

Mr. HENRY: In 1922 there was an adjustment of \$600,000 by reason of the difference in the average prices and freight charges lapsed over from 1921.

Sir HENRY DRAYTON: In other words, the cost of maintaining your way and structures in 1922 was swollen by an item of \$600,000, which represented an insufficient charge made in a like account for the year 1921? That is the evidence.

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: I think we have exhausted everything about structures. Now, going to "Rolling Stock." We did the same thing with Rolling Stock?

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: In connection with Rolling Stock: the figures again down to October run very much the same. The total for the year as at the end of October was \$43,393,104 as against \$43,266,354 for the year 1922.

Mr. HENRY: What was the figure you read?

Sir HENRY DRAYTON: For the year 1923, as at the end of October, \$43,393,104.

Mr. HENRY: \$100.

Sir HENRY DRAYTON: It should be \$100?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: And for the year 1922, \$43,226,354?

Mr. HENRY: That is correct.

Mr. STEWART: Was that a larger or a smaller figure for 1922?

Sir HENRY DRAYTON: It is practically the same thing. There is not enough difference there to make any comment at all. Then we have figures which, apart from any explanation, indicate rather startling drops for the months of December and November. That is right, is it not?

Mr. COOPER: Yes.

Sir HENRY DRAYTON: The 1923 figures for November were \$4,570,413?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: As against \$5,563,976 for 1922?

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: For December, \$4,212,806?

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: As against \$7,370,369?

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: Now, there was an explanation given for that; the explanation given for that consists of this, that in the year 1922 provision was made for reserves. That is right, is it not?

Mr. HENRY: Correct.

APPENDIX No. 5

Sir HENRY DRAYTON: And the books show that in the month of September the sum of \$250,000 was set to reserve for this purpose, and in October \$490,605. In November \$1,664,394, and in December \$2,385,000?

Mr. HENRY: That is correct.

Sir HENRY DRAYTON: Making a total of \$4,490,000?

Mr. HENRY: Those figures are correct.

Hon. Mr. GRAHAM: What year is that?

Sir HENRY DRAYTON: In 1922, building up the reserve to look after equipment of the system. Then we have no reserve built up in the year 1923 except \$801,000.

Mr. HENRY: That is correct. That is referred to on page 6 of the report.

Hon. Mr. GRAHAM: I do not quite understand that.

Sir HENRY DRAYTON: You take a survey of your situation and you make up your mind what you are going to do with your money, whether you are going to put it in this year or the next year. It is a matter of the executive passing on these things. Some railway operators think it is a good thing to charge as much as possible to the current year, and some do not. Sometimes the things which might go to maintenance go to betterments of the line. It is a matter of the exercising of judgment. I am not quarrelling with the judgment; the judgment here was that \$4,000,000 in 1922 should be set up as a reserve, and that is the reserve Sir Henry Thornton spoke about. The same judgment fixed on \$801,000 as the reserve to be built up in the year 1923. So that the expenses, so far as the accounts are concerned, would indicate that on this subject of reserves, the accounts are charged with \$3,689,000 more money in the year 1922 than they are charged in the year 1923.

Mr. COOPER: In maintenance of equipment.

Sir HENRY DRAYTON: That is quite right. It does not mean that the equipment did not get service; they got the service out of the money which had been allocated in the previous year. So the result is this, that you have an apparent saving or skimping, because that is what anyone would think from looking at it, represented by the difference between \$52,176,320, as against \$56,160,700. That would be an apparent saving of how much?

Mr. COOPER: \$3,984,380.

Sir HENRY DRAYTON: That is the actual saving?

Mr. COOPER: Yes.

Sir HENRY DRAYTON: But the service, that is the equipment, as a matter of fact did not suffer from the non-expenditure of that \$3,984,000, because we have \$3,689,000 available from the books of the other year. That is right?

Mr. COOPER: Yes.

Sir HENRY DRAYTON: So that the service is kept up, and the only difference is that there is a shortage in our reserves to-day of \$3,689,000, and an economy an actual economy of—how much would that be?

Mr. COOPER: \$3,984,380.

Sir HENRY DRAYTON: That is the real difference between the figures of \$52,176,320 and \$56,160,700?

Mr. COOPER: Yes.

Mr. STEWART: I am not very clear on the purpose served by these reserves that Sir Henry Drayton is talking about. I think a little explanation might make it clearer.

Sir HENRY DRAYTON: Let us get this finished, and then take that up. That would make a real difference in the amount spent on equipment of \$295,380,

being the difference between the reserves of the two years, which amounted to \$3,689,000, and the apparent difference in cost?

Mr. HENRY: I would like to check you on those figures.

Mr. COOPER: That is for the year?

Sir HENRY DRAYTON: For the year.

Mr. COOPER: \$295,781.

Mr. HENRY: \$298,781 is the exact figure.

Sir HENRY DRAYTON: So instead of anyone getting the idea that the locomotives have not been kept up as a matter of fact there has been just as much spent upon them except this sum of \$295,000?

Mr. HENRY: That is equipment generally.

Hon. Mr. GRAHAM: That is rolling stock.

Sir HENRY DRAYTON: Yes.

Mr. HENRY: In addition to that it is only fair to say there was a decrease in the average wage schedule of \$1,700,000.

Sir HENRY DRAYTON: That applies to all shop workers?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: It applies to locomotives and everything else, and that was the general reduction made effective, I think, last——

Mr. HENRY: July, 1922. It had twelve months in 1923.

Sir HENRY DRAYTON: We get the benefit of the reduction in wages, which was \$1,750,000 in the maintenance account, \$750,000 of which was applicable to the freight car situation.

Mr. HENRY: I will just check that. I do not appear to have the exact figure, but I think it is \$700,000. \$700,000 is correct.

Sir HENRY DRAYTON: \$700,000. I have \$750,000, but it should be \$700,000.

Mr. HENRY: Yes, \$700,000.

Sir HENRY DRAYTON: For freight cars. Just so as to follow up the matter to its legitimate conclusion, if you look at the income account where the balance is worked out at page —

Mr. HENRY: Page 17. Is that what you mean?

Sir HENRY DRAYTON: Yes, page 17. There is an actual improvement shown at page 17 of \$6,262,422.84, being the difference in the net income deficit. Is that figure correct?

Mr. HENRY: That was of both years, \$6,262,422; that is correct.

Sir HENRY DRAYTON: Then we have our reserves exhausted, with the exception of \$801,000?

Mr. HENRY: No, there is \$1,600,000.

Sir HENRY DRAYTON: You gave me yesterday, reserves on this rolling stock of \$801,000 altogether.

Mr. HENRY: \$801,000 plus \$4,490,000 gives you \$5,300,000, and you take from that \$3,000,000—

Sir HENRY DRAYTON: No, you should not plus that. As I understood from your explanation of the account yesterday, you have on hand in this account a reserve which may be used next year of \$801,000.

Mr. HENRY: No. The \$801,000 represents the amount credited to the reserves and charged to maintenance of equipment during the first four months of 1923.

Sir HENRY DRAYTON: So that has gone, has it?

Mr. HENRY: No. There is in the reserve now, \$1,600,000.

APPENDIX No. 5

Mr. KYTE: You added the two reserves together, the one previous to last year, and the reserve of last year, amounting to \$801,000?

Mr. HENRY: That is right.

Sir HENRY DRAYTON: Let us get that clear now, Mr. Henry. The reserves that you have told me about, \$4,490,000, if I understand the evidence you have given here, are the amounts of these reserves that have been expended in this work this year.

Mr. HENRY: I did not say that, that it had all been expended.

Sir HENRY DRAYTON: How much has been expended out of that?

Mr. KYTE: The total reserve is \$5,491,000.

Sir HENRY DRAYTON: That is for the two years.

Mr. KYTE: Yes, we will see what has been spent out of that.

Mr. COOPER: In 1922 we spent \$915,000, and in 1923 we spent \$2,731,657.45.

Mr. KYTE: That is \$3,646,657.

Sir HENRY DRAYTON: How does that figure out? That will change these other figures.

Mr. KYTE: \$1,644,745, I make it, as the balance of the reserve.

The CHAIRMAN: Did I understand you to say that in 1922 you spent only some \$800,000.

Mr. COOPER: In 1922 there was charged to this reserve, after it had accumulated, \$915,000.

The CHAIRMAN: Was that actual expenditure?

Mr. COOPER: That meant the work was actually done.

The CHAIRMAN: And in 1923 you say you spent \$2,730,000?

Mr. COOPER: Yes.

The CHAIRMAN: Was there any skimping, as it has been called, in 1922?

Mr. COOPER: There was more work to be done, of course, in 1922; that was the reason for setting it up.

The CHAIRMAN: In 1922 the figure is so much less than in 1923.

Mr. HENRY: The reserve, as Sir Henry has explained, was set up in the months of September, October, November and December of 1922, and for the months of January, February, March and April of 1923; the reserve was built up in those months. Now, during the later months of 1922 work to the amount of \$915,000 was done and charged to reserve.

Sir HENRY DRAYTON: Just let us see if we can get the net figures.

Mr. HENRY: What is your particular point, Sir Henry?

Sir HENRY DRAYTON: Just to see exactly how much the real difference was.

Mr. HENRY: You want to find out how much was actually spent in each year?

Sir HENRY DRAYTON: You know that you charged up in the year 1922 this sum of \$56,000,000, and you know you have charged up in 1923 the sum of \$52,000,000.

Mr. HENRY: Yes.

Sir HENRY DRAYTON: You spent out of the reserve in the year 1923, \$2,731,657?

Mr. HENRY: I think that is the figure.

Sir HENRY DRAYTON: Now, in order to arrive at what you spent, should you not add the amount of these reserves to that sum, that is the reserves spent, this \$2,731,657 to your item of \$52,000,000 to make the total of \$54,907,977?

Mr. HENRY: That is correct, and then you should deduct from that whatever was charged.

Sir HENRY DRAYTON: The sum of \$801,000?

Mr. HENRY: Yes, that is correct.

Sir HENRY DRAYTON: So that would make the total spent \$54,106,977, as against \$56,000,000?

Mr. HENRY: Then on the other side you have to do the same thing; you have to subtract from the \$56,000,000 the \$915,000.

Mr. STEWART: Add it?

Mr. HENRY: Yes, and then subtract the \$4,490,000.

Sir HENRY DRAYTON: That is to get what was actually done, not what was charged?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: I was dealing with what was charged. Dealing with what was done, your present basis is correct?

Mr. HENRY: No, that is not right. What was charged in 1923 was \$52,176,000; that is what the amounts total.

Sir HENRY DRAYTON: That is what was charged?

Mr. HENRY: That is what was charged.

Sir HENRY DRAYTON: Including that \$801,000 of reserves?

Mr. HENRY: Yes, including in that that sum. That is correct.

Sir HENRY DRAYTON: And for the year previous the charge is \$56,000,000 odd, including in that reserves of \$4,490,000?

Mr. HENRY: That is correct, but you must subtract both if you are going to get the relative basis of expenditure.

Sir HENRY DRAYTON: I was getting the charges for the two years.

Mr. HENRY: The books show the charges. What is charged into the account is what appears in the statement.

Sir HENRY DRAYTON: Yes, but the reserve is the thing I am getting at.

Mr. STEWART: Do I understand that the actual expenditure for 1922 was \$52,585,000 and for the year 1923, \$54,106,000?

Mr. HENRY: In actual work done, yes, that is correct.

Sir HENRY DRAYTON: Then how many reserves do you say we still have on hand?

Mr. COOPER: \$1,696,754.

Mr. STEWART: How do you arrive at that?

Mr. COOPER: You will be out \$52,000; \$52,010, that was an amount which was transferred to the reserve which did not come out of the operating expenses at all; it is an additional credit in 1922 to the reserves.

Sir HENRY DRAYTON: That is included in the major sum, the sum of \$4,000,000?

Mr. COOPER: No, that is an addition. That \$4,000,000 is what was charged to expenses and credited to reserves.

Sir HENRY DRAYTON: That would be a further charge on the revenues of 1922?

Mr. COOPER: No, sir, it was an amount which we received from the United States administration, and we just put it in the reserve account.

Mr. STEWART: These figures do not represent the totals of the account; that is, \$4,000,000 and the \$801,000 for 1923?

Mr. COOPER: It is an additional credit of \$52,000.

APPENDIX No. 5

Mr. STEWART: What is the standing of the reserve account as of the end of this year we have reported here?

Mr. COOPER: \$1,696,000.

Mr. STEWART: What was the reserve account at the end of 1922, then, after deducting the amount spent?

Mr. COOPER: \$3,627,010.

Mr. STEWART: That shows it depreciated in the year \$1,831,000, and I cannot see any place where that fits in with the figures given.

Mr. HENRY: In addition to that there was \$801,000 accrued in 1923.

Mr. STEWART: You have been juggling that \$801,000 around as an expenditure.

Mr. HENRY: The \$801,000 was a charge to maintenance of equipment and a credit to the reserve in the first form.

Mr. STEWART: It went in and out again. It would not affect the balance in the end?

Mr. HENRY: To the extent that it went in and out, that is correct.

Sir HENRY DRAYTON: Yes it does, because you charge the other against expenses.

Mr. HENRY: To the extent that it went in and out at all it is.

Sir HENRY DRAYTON: It shows the volume of work done.

Mr. HENRY: It depends on the way you look at it.

Sir HENRY DRAYTON: These monies were actually used?

Mr. HENRY: If you are looking at what the books show as charged to that account, and what the expenditure actually was, of course those are two different points of view.

Sir HENRY DRAYTON: What the expenditure really was is the real thing.

Mr. HENRY: Yes.

Sir HENRY DRAYTON: It is not merely a book-keeping entry.

Mr. HENRY: Yes.

Mr. STEWART: I would like to get a little further light in regard to this reserve account. Where does this originate?

Mr. HENRY: The reserve represents charges made to maintenance of equipment during the last few months of 1922 and the first four months of 1923. It was for the purpose of taking up deferred maintenance in the equipment, which was estimated to be that extent below normal.

Mr. STEWART: Was there no such thing as reserve account prior to 1922?

Mr. HENRY: It commenced on September 1st, 1922.

Mr. STEWART: It may be that I am very dense, but I do not understand yet just why you formed that account.

Mr. HENRY: It was to take up what might be called deferred maintenance.

Mr. STEWART: There was a change of accounting at that time?

Mr. HENRY: There was a change, yes. There was a change of administration, too, as a matter of fact.

Major BELL: Mr. Henry, put it in another way. From year to year, supposing you had the same number of cars and you kept them up to a certain standard, and they cost you \$12,000,000 a year. You put out \$1,000,000 every month to keep them up. If you spend that over a period of ten years, that would show absolutely the proper expenditure. Instead of doing that, you might say the first five years that you would only put out \$500,000 a month. The result is that at the end of the ten-year period you would be \$10,000,000

behind with the upkeep of your equipment; you have lost that. To even that up you take out either in work or in cash \$1,000,000 a month, and at the end of ten years you will be square. You would either have it in your equipment or a reserve in cash, ready to repair that equipment.

Sir HENRY DRAYTON: It is to prevent an undue loading of the books in any one year.

Major BELL: Yes, and to keep money there to repair the equipment.

Hon. Mr. GRAHAM: I might say that they follow a splendid precedent in that. Major Bell will remember years ago, when the Intercolonial was managed by the Government through a Board, or a General Manager, the problem of getting money for a rush requirement of repairs for equipment was a very difficult one, because the Government had to vote all the money. So we established what was called an equipment renewal account, and we put away so much money every month for equipment renewal. One month we might have quite a big balance in the account, then something unforeseen would happen and for the next three months we would not have any, but we would have it in the cars. I imagine this is run on the same plan.

Mr. HENRY: Yes.

Major BELL: There are ups and downs in business. Sometimes it may be very slack, and you would be very foolish to repair a lot of cars that you could just put on the siding. Then when business presses again you have your reserve account to fall back upon and from which to make these repairs.

Mr. STEWART: Is there any department outside of this which carries an account of this kind?

Major BELL: Yes, the Insurance Department.

Mr. STEWART: I take it that the maintenance and right of way department does not carry such an account?

Major BELL: On the Intercolonial we had, at one time, a rail account and a maintenance account. For instance, supposing you put up a station, a building costing you \$25,000. With the exception of a little paint, you might not touch that building for 25 years. The building is going down all the time, and at the end of the 25 years you probably have to make a 50 per cent expenditure to get it back into shape. If you have a building reserve account you can call on that right away, without unduly charging that year's account with it. It will only have paid the proper proportion for that year.

Mr. STEWART: It amounts to this, that comparing the figures of our expenditures on equipment one year with another does not give us an indication of the actual standing of the equipment.

Major BELL: No.

Mr. STEWART: The equipment may actually be depreciating, but the money is there to raise it to its original status.

Major BELL: In connection with your expenditures running even, if you could have a reserve account for everything, then every year would reflect absolutely your true charges.

Mr. STEWART: It would seem to me that if there was an item added to this page showing the standing of the reserve account it would very much enlighten us regarding the standing of our equipment, because if it is not there in actual stock it is there in dollars.

The CHAIRMAN: Is this your practice, Mr. Henry; I want to get it clear. You figure that each year you will require so much money for maintenance of equipment?

Mr. HENRY: That, of course, depends upon the business.

APPENDIX No. 5

The CHAIRMAN: There is, of course, a certain depreciation which ought to be replaced from time to time. You do make these replacements at different times?

Sir HENRY DRAYTON: There is no depreciation at all; it is all maintenance. That is a separate item.

The CHAIRMAN: I mean this. Your equipment is depreciating, is getting worth less, and that has to be repaired.

Sir HENRY DRAYTON: That is not shown in this at all.

The CHAIRMAN: You want to keep your equipment, your cars and so on, up to the mark. For that you set aside each month, I suppose, certain moneys. Do you charge that immediately to maintenance and credit reserves, whether you spend it or not?

Mr. HENRY: Exactly.

The CHAIRMAN: Because you want to keep a proper charge against the system so it would not all be charged in any one year or any one month, even though it was an accumulation?

Mr. HENRY: That is right.

The CHAIRMAN: So at the end of each period—each month, is it?

Mr. HENRY: Yes, at the end of each month.

The CHAIRMAN: You make a charge against maintenance and credit your reserve account with it, whether you have actually made the expenditure or not. Then, when you do make the expenditure you charge your reserve with it, and the cash goes out?

Mr. HENRY: That is right, generally speaking.

The CHAIRMAN: The result being that each particular period carries its charge of maintenance, which is a loss, whether you have actually made the expenditure or not?

Mr. HENRY: That is the purpose of this reserve.

Sir HENRY DRAYTON: Just leaving that, if everybody understands it, we spent out of reserves this year the amount you have given us, which I think is \$2,731,000?

Mr. HENRY: Yes, that is correct.

Sir HENRY DRAYTON: Then you also have on hand some reserves now, \$1,696,754?

Mr. HENRY: Yes, that is correct.

Sir HENRY DRAYTON: So there is a depletion in the reserve for the year of \$1,930,436?

Mr. HENRY: \$1,731,657, I think.

Sir HENRY DRAYTON: There is that \$52,000 that comes out?

Mr. HENRY: Yes. If you are dealing with the decrease, it is \$52,000 more.

Hon. Mr. GRAHAM: That \$52,000, technically speaking, does not belong in this discussion at all.

Sir HENRY DRAYTON: The sum of \$3,627,010, I thought, was the amount left to the credit of the reserve at the end of the year 1922.

Mr. COOPER: Yes.

Sir HENRY DRAYTON: Then the amount left to the credit of the reserve to-day is \$1,696,574. Does that not give the result I gave you?

Mr. HENRY: Yes. We will just check that.

Sir HENRY DRAYTON: It is \$1,930,436.

Mr. COOPER: The difference between \$3,627,010 and \$1,696,754, is \$1,930,-
256.

Mr. STEWART: I was going to ask, then, if we are right in considering that it would require that \$1,930,256 to bring our equipment up to par? Just let me read this sentence from the report. "All deferred maintenance of equipment charges may now be considered as either having been overtaken or provided for in the above mentioned reserve". Does that mean it would require the whole reserve to bring our equipment up to par?

Major BELL: Yes.

Mr. HENRY: Yes, that is correct.

The CHAIRMAN: Is there anything further on this particular phase of the report?

Sir HENRY DRAYTON: How is it determined what sums that are spent on the roadbed shall be charged to maintenance, and what to betterments?

Mr. BROWN: It is charged entirely in accordance with the Interstate Commerce Commission classification accounts.

Sir HENRY DRAYTON: Who determines this? You can do almost anything with classifications. Who determines it? There is a classification of accounts, but who determines what goes into each of them?

Mr. BROWN: These amounts of expenditures come into the audit office and they do the allocating.

Sir HENRY DRAYTON: I want to know who does it.

Mr. COOPER: The engineer distributes it and we audit it.

Mr. BROWN: Where you take an appropriation that covers a betterment as well as a maintenance charge, we distribute that in making up our estimates, in making up what we call our authority for expenditure, and that is determined on the basis of the Interstate Commerce Commission classification accounts.

The CHAIRMAN: Who checks that up?

Mr. BROWN: It is checked right up through the various offices and finally in my office.

Sir HENRY DRAYTON: It is a matter of judgment, into which account it should go.

The CHAIRMAN: Whether it is a capital charge or expenditure.

Major BELL: It is laid down very very clearly to what this shall be chargeable, and through very long experience there is very little left out.

Sir HENRY DRAYTON: We know, as a matter of fact, that the amount charged by some lines for maintenance varies absolutely from that charged on others. We know that some railroads like to charge everything they can to maintenance, with a view to getting the property in the best shape. We know that others charge everything they can to betterments, with a view to showing as good an income return as possible.

Major BELL: If they do that they are deliberately putting in false statements.

The CHAIRMAN: I suppose there is a little latitude there.

Mr. COOPER: Not under the Interstate Commerce Commission classification.

Sir HENRY DRAYTON: That is the way it works out. For example, you have in connection with this very matter the question of maintenance on the one hand and betterments on the other. You have had how many advances this year which you treat as capital accounts?

The CHAIRMAN: Do you want the number, or the total of the amounts?

Sir HENRY DRAYTON: Just the total.

Mr. HENRY: You want to know how much was advanced for betterment purposes?

APPENDIX No. 5

Sir HENRY DRAYTON: Yes.

Mr. HENRY: Chargeable to capital?

Sir HENRY DRAYTON: Chargeable to capital.

Hon. Mr. GRAHAM: That is what you call the twilight region, is it?

Sir HENRY DRAYTON: That is the twilight zone.

Mr. HENRY: We will have to get you that figure, Sir Henry.

Sir HENRY DRAYTON: Surely your capital account would show it. I think you have it in one of these statements.

Major BELL: Mr. Cooper, what Sir Henry wants is the total capital charge for 1923.

Mr. HENRY: Oh, that is different.

Sir HENRY DRAYTON: Look at page 23.

The CHAIRMAN: Yes, it is there.

Mr. HENRY: \$49,715,581.

Sir HENRY DRAYTON: Of that we have "road, \$19,000,000".

Mr. HENRY: Plus \$550,028.

Mr. BROWN: That is improvements on lines and so on.

Sir HENRY DRAYTON: Out of that whole total, how much was spent on new construction, new lines? I think the only thing you had was the cut-off.

Mr. HENRY: We could not tell you that offhand, Sir Henry.

Major BELL: The only line that was under construction was that Long Lac cut-off.

Sir HENRY DRAYTON: What did that cost?

Mr. BROWN: Approximately \$2,000,000.

Sir HENRY DRAYTON: The charge against that would be \$2,000,000?

The CHAIRMAN: Has this any reference to what we are considering? We are getting into capital account now.

Sir HENRY DRAYTON: I want to see which place it ought to be in.

Major BELL: You are speaking of the total cost of that?

Mr. BROWN: Yes. There was a little bit spent in 1922, and there will be a little spent this year, finishing up the ballasting.

Sir HENRY DRAYTON: We have a total charge for original new work of \$2,000,000. How much of that would be in this year's account?

Major BELL: There was some in 1922 and some in this year.

Sir HENRY DRAYTON: How much in 1922?

Mr. HENRY: We will have to get that.

Major BELL: Get the cost of the Long Lac cut-off, the amount spent in each year.

Sir HENRY DRAYTON: You see, that leaves approximately \$18,000,000 that was put into capital account on old lines. It is just a question in each instance what is a betterment and what is a maintenance.

Major BELL: Of course, there is a certain amount of that in building connecting lines, you know.

Hon. Mr. GRAHAM: What was that little piece built into the coal mines in New Brunswick?

Major BELL: Mr. Cooper, take out co-ordination too, and that will probably figure the same thing or take that road account and analyse it to bring it into sub-headings that will give us an idea of improvement of stations, and so on.

Mr. HENRY: It is all classified there.

Major BELL: On page 23 you pretty well get that clasification.

Sir HENRY DRAYTON: We will take up page 23, then. How much of the engineering there was charged to the Long Lac cut-off?

Mr. HENRY: That would have to be ascertained, Sir Henry.

Sir HENRY DRAYTON: I suppose we had better let that stand until that statement comes along.

The CHAIRMAN: Probably that had better stand until we get that statement, and it will be a great deal quicker. Now, have we completed pages 19 and 20?

Sir HENRY DRAYTON: Just while we are on that, do you not think it would be much better, Mr. Henry, to have the system remodelled so that the public would not be misled, and that this first page ought to show your basis, the claims which are set out—.

The CHAIRMAN: He might not admit the public is misled.

Sir HENRY DRAYTON: Then we will say the newspapers. We know they were misled, and misled badly.

Mr. HENRY: I think Sir Henry Thornton intimated in his evidence that he had in mind the remodelling of the form of the annual report.

Mr. COOPER: He did not admit there was anything wrong.

Mr. STEWART: Was it not agreed that our report to the House would contain—.

The CHAIRMAN: We might let Mr. Henry make a statement, if he so wishes.

Mr. HENRY: Page 5 merely represents a letter of transmission, really, from the President to the Honourable Minister of Railways. If you go on to pages 14 and 15, you will find the consolidated balance sheet, followed by the profit and loss statement and then the income statement.

Sir HENRY DRAYTON: The income statement shows your betterment of \$6,262,000 in operation?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: That is the betterment in operation, while anyone looking at page 5 would think there had been an improvement of \$17,000,000 plus.

Mr. HENRY: In operation?

Sir HENRY DRAYTON: I point out that this is entirely operating.

Mr. HENRY: It is a question of classification.

Sir HENRY DRAYTON: Your rental of cars and all that sort of thing, all that goes into your operating expenses?

Mr. COOPER: This is the standard classification.

The CHAIRMAN: Following out the regular practice?

Mr. COOPER: Following the I.C.C. Your suggestion, Sir Henry, is that the whole thing ought to appear on the first page. Would it be your view that this first page ought to include the whole income statement?

Sir HENRY DRAYTON: No, just the net returns claimed by the system. This looks to the ordinary man on the street as though there had been an improvement of \$17,000,000.

Mr. HENRY: In the operating?

The CHAIRMAN: That is perfectly clear. If you take the income statement it tells exactly what you think it ought to tell; it shows an income improvement of over \$6,000,000, and on page 6 it is merely a comparison of the operating expenses.

APPENDIX No. 5

Mr. HENRY: That is all; that is all it is intended to be.

Hon. Mr. GRAHAM: If you issued a report contrary to the Interstate Commerce Commission classification which you have adopted, would not the United States government probably thump you?

Mr. COOPER: If it were in the United States they would.

Hon. Mr. GRAHAM: You have a lot of lines in the United States?

Mr. COOPER: In that case we would have to comply with their regulations down there.

Mr. KYTE: Is it the same system for both?

Mr. HENRY: Yes, for the reason that you want to make comparisons with roads over there.

The CHAIRMAN: I do not see how the public, or the newspapers, could possibly be misled if they studied page 17.

Sir HENRY DRAYTON: Yes, but who does it?

The CHAIRMAN: It is a matter of judgment. You might want, perhaps, to show that at the beginning, because you think people look at the first statement instead of the summary given inside, but it is all perfectly plain as set forth there.

Sir HENRY DRAYTON: What is done is this: the most favourable way of looking at the thing is picked out, and irrespective of the effect on the public or on the system, it is featured.

The CHAIRMAN: You mean it should be given as it is on page 17?

Sir HENRY DRAYTON: It is featured where the rest is not featured.

Major BELL: Let me put it another way, Mr. Cooper, take page 17 of this annual report. The statement that is given out to the public monthly is the net revenue from railway operations?

Mr. COOPER: Yes.

Major BELL: That is, the statement for January would come out about the end of February?

Mr. COOPER: About the 25th of the following month.

Major BELL: For the month of January would it be possible to give accurately the net income deficit in the same shape?

Mr. COOPER: Yes.

Major BELL: You could give it exactly.

Mr. COOPER: Yes, each month.

The CHAIRMAN: In the same way as it is given on page 17?

Mr. COOPER: Yes, we do that.

Major BELL: In connection with your taxes for instance, do you put them in just when they are due?

Mr. COOPER: We accrue them; we apportion them to each month equally.

Major BELL: Then there is no reason why you should not give the two statements; or, in other words, the net income deficit and the other information.

Mr. COOPER: Yes sir.

Major BELL: And you could give them out at the same time?

Mr. COOPER: Yes, sir.

Mr. HENRY: Of course, our classification, whilst it follows the I.C.C., is laid down by our own Bureau of Statistics here, and the Board of Railway Commissioners.

Sir HENRY DRAYTON: Yes, and they have adopted it.

The CHAIRMAN: It would be just as easy to give the income statement which is on page 17 and put that right alongside of the operating statement?

Mr. HENRY: Absolutely.

Hon. Mr. GRAHAM: Will there be a note made of that for one of the things we will discuss in the report?

Major BELL: May I explain to the committee how this classification is arrived at by the Interstate Commerce Commission? It is not an arbitrary rule, but has been gone into very thoroughly. Before any change is made in their classification, they refer it to a sub-committee of what they call the American Accounting Officers' Association, which includes the accounting officers of all the leading roads in the United States and Canada, and the best brains of the organization go all over the suggested change and confer with the Interstate Commerce Commission before any change of any kind is made, so that in the classification you have the judgment of the best accounting brains on the continent. Sir Henry knows that. That is the way it is arrived at; it is not done by rule of thumb, or just saying that you must do it this way. They have gone very thoroughly into what should be charged to this account, and what should be charged to that, and this is their considered opinion.

Mr. KYTE: Do you pursue the same course on your American lines as on your Canadian lines?

Major BELL: Yes, and we follow the United States practice, because our roads are similar to them and we sit in the American Accounting Association and through them reach the Interstate Commerce Commission, although not officially.

Mr. STEWART: Regarding the point raised by Sir Henry Drayton a while ago, regarding the charges to betterment and to maintenance, do you think that over a period of years it might be possible, even with the small leeway there is, to make a statement showing a very greatly increased capital?

Major BELL: Every means that they possibly can use, and every check that they can put on is in effect, and new ideas are coming up all the time; there are improvements every year. They are putting them on so as to have these amounts shown plainly. There is nothing better devised as yet, and so far as they know today this is the very best system, and the National Railways is following that out right through.

Hon. Mr. GRAHAM: The C.P.R. adopt the same system, do they not?

Major BELL: Yes.

Mr. COOPER: The only expenditure that can be charged to expenses must be less than \$100.

Sir HENRY DRAYTON: In connection with this very matter of maintenance, how many miles of service do you expect a freight car to give before it has to be shopped? What is your experience?

Mr. HENRY: Offhand, I do not think I could answer that. It depends a good deal on the type of equipment.

Sir HENRY DRAYTON: But you have to average up the whole thing.

Major BELL: It depends very largely on the roadbed, too.

Mr. HENRY: There are a good many factors entering into it.

The CHAIRMAN: What is the average, do you know, Sir Henry?

Sir HENRY DRAYTON: It used to be about 800. Is it not perfectly true that the ratio of car repairs ought to correspond to your ratio of car mileage?

Mr. HENRY: It ought to bear some relation.

Sir HENRY DRAYTON: And it bears a fairly definite relation.

Mr. HENRY: Fairly definite.

APPENDIX No. 5

Major BELL: You could wear a car out without running it at all.

Sir HENRY DRAYTON: Yes, you could put it on a siding and let it rot if you left it long enough, but you are not going to get your bumpers out of shape in that way, or anything of that kind.

Mr. STEWART: Would not the freight carried make a lot of difference?

Mr. HENRY: It would depend to a certain extent on the nature of the traffic carried in it.

Sir HENRY DRAYTON: I think I am perfectly right in saying that is the fact, that there is a ratio and it is also true of locomotives.

The CHAIRMAN: Mr. Henry is not in a position to say.

Mr. HENRY: I would not like to venture an opinion on that.

Sir HENRY DRAYTON: I think Mr. Henry knows pretty well.

The CHAIRMAN: We cannot go behind what he says.

Sir HENRY DRAYTON: Probably not.

Mr. HENRY: If you would like to get a statement as to our experience in a given year, we can give you that.

Sir HENRY DRAYTON: I think you know enough about it to admit the obvious fact that there is a ratio between use and maintenance.

Mr. HENRY: There ought to be.

Sir HENRY DRAYTON: What were your car miles for 1923 as compared with your car miles for 1922?

Mr. HENRY: That is on page 30. For 1923, the freight train loaded car miles were 797,189,578. For 1922 they were 708,181,197. The empty car miles were 413,047,269 in 1923, and 352,407,339 in 1922, making a total, loaded and empty, of 1,210,236,848.

Sir HENRY DRAYTON: As against—?

Mr. HENRY: 1,060,589,336.

Sir HENRY DRAYTON: And your repairs for the two years were what, on those same cars?

Mr. HENRY: The accounts indicate \$18,289,334 in 1923; \$23,518,811 in 1922.

Sir HENRY DRAYTON: In other words, you spent how much more in 1922?

Mr. HENRY: The difference there is, roughly, \$5,000,000.

Sir HENRY DRAYTON: Although you spent \$5,000,000 less, the increase of car miles was how much?

Mr. HENRY: That, of course, has to be adjusted. We ran about 150,000,000 more car miles.

Sir HENRY DRAYTON: In 1923 you spent approximately \$5,000,000 less for repairs.

Mr. STEWART: Just a moment: does not that reserve enter into it?

Mr. HENRY: Yes. The situation, after you adjust for the reserve, is as follows: in 1922 we spent \$19,943,811; in 1923 we spent \$20,586,563, to which would have to be added the \$700,000 on account of the decrease in wages.

Sir HENRY DRAYTON: A saving?

Mr. HENRY: A saving. That was, in other words, we performed that much more work for that much less expense.

Mr. STEWART: What was that item?

Mr. HENRY: \$700,000, on account of decrease in wages.

Sir HENRY DRAYTON: And what is the difference now between the two years, in the money actually spent?

Mr. KYTE: \$642,000.

Mr. HENRY: Plus \$700,000 for wages.

Sir HENRY DRAYTON: Then the total locomotive mileage, you have on the same page 81,000,000 and odd.

Mr. HENRY: The locomotive mileage increased about——.

Sir HENRY DRAYTON: Look at item 41. That gives the total locomotive mileage.

Mr. HENRY: Yes, that is correct. That is about 6,600,000.

Sir HENRY DRAYTON: More miles?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: What was spent on locomotives for the two years?

Mr. HENRY: We spent in 1922, on repairs, \$18,651,882, and in 1923 \$19,134,803; that is \$500,000 of a difference.

Hon. Mr. GRAHAM: Do I understand as a matter of fact that you expended more money in the maintenance of rolling stock in 1923 than in 1922?

Mr. HENRY: Yes.

Hon. Mr. GRAHAM: Of course the car mileage was greater?

Mr. HENRY: Yes.

Mr. KYTE: Does this reserve enter into this, with regard to locomotives?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: The effect of the locomotive situation is this, if I am right, that you have 6,600,000 more locomotive miles at an additional cost of maintenance, according to your figures, of \$483,021?

Mr. HENRY: Plus the wage reduction as well.

Sir HENRY DRAYTON: There would be another million there?

Mr. HENRY: Yes, roughly another million.

Sir HENRY DRAYTON: That would be \$1,483,000?

Mr. HENRY: That is right.

Mr. STEWART: From these figures given us on car mileage, they show an increase of approximately 14 per cent on the mileage and in the case of repairs, even allowing the amount for labour, of less than seven per cent.

Mr. HENRY: That is the way it worked out.

Hon. Mr. GRAHAM: Percentages are very deceiving; two is 100 per cent greater than one, but it is not much of an increase.

Discussion followed.

The Committee adjourned.

COMMITTEE ROOM 116,

HOUSE OF COMMONS,

THURSDAY, June 26, 1924.

The Select Standing Committee on National Railways and Shipping met at 10.30 o'clock a.m., Mr. W. D. Euler, M.P., Chairman, presiding.

The CHAIRMAN: We have a quorum, and will proceed.

Hon. Mr. GRAHAM: There is a gentleman here from the Canadian National Railways who would like to be heard.

Mr. KYTE: Anything to do with the Scribe Hotel?

APPENDIX No. 5

Hon. Mr. GRAHAM: No, that is closed. This gentleman wants to place some figures before the Committee concerning the distribution of the mail transportation in Canada. The president thinks the Canadian National Railway is not getting its proper share. Of course, the solution of that would be up to the Post Office Department, but the Canadian National wants to place before the Committee these figures. I move Mr. Fairbairn be heard.

Mr. JELLIFF: Second the motion.

The motion agreed to.

R. L. FAIRBAIRN, called and examined.

By the Chairman:

Q. What is your name and position?—A. My name is R. L. Fairbairn, and my position is manager of the Postal Service Bureau in charge of passenger train service and mail traffic.

Hon. Mr. GRAHAM: That ought to be a big enough job for anybody.

The WITNESS: We have felt for some time that we are not receiving our proper proportion of the mail traffic of Canada. That has been due to the way the railways have grown up in Canada. The Canadian Pacific have a through service between the east and the west, and the two services, Montreal to Vancouver and Toronto to Vancouver, give the Canadian Pacific Railway approximately \$2,000,000 mail revenue per annum.

By the Chairman:

Q. And the Canadian Pacific has all of that?—A. Yes. That gives them a very decided advantage.

By Mr. Kyte:

Q. They have \$2,000,000 worth of traffic, but is that all of the traffic?—A. No; they get practically that amount on these two services alone.

Q. Is that all the mail service between these points?—A. Through mail; Montreal to Vancouver and Toronto to Vancouver. Now, the mileage in Canada of the Canadian National is 20,510, the Canadian Pacific 14,895. For the fiscal year ending March 31, 1924, the mail earnings for the Canadian National were \$3,162,977.51—

By the Chairman:

Q. That is the gross receipts?—A. The gross receipts from the mail traffic in Canada. The Canadian Pacific was \$3,658,937.40.

Mr. KYTE: A difference of some \$300,000.

Mr. STEWART (Humboldt): Would you repeat that figure for the Canadian National gross earnings?—A. I have a few copies of it here which I can pass around.

The CHAIRMAN: The Canadian National, \$3,162,977.51. Even with a straight comparison the Canadian Pacific Railway has a half a million dollars more.

The WITNESS: The earnings per mile of road per annum for the Canadian National were \$154.21, as against \$245.65. Now, take the mileage of the two lines, the Canadian National has 57.9 per cent, and the Canadian Pacific 42.1 per cent. If the mail traffic was divided on the basis of traffic of the two lines, the Canadian National Railway is short \$786,911.23 per annum.

By Hon. Mr. Graham:

Q. In other words, if the Canadian National Railways had its share of the mail traffic, its gross receipts would be \$786,911.23 more?—A. Yes, sir. Now, as everybody knows, the Canadian National Railways serves practically every

[Mr. R. L. Fairbairn.]

important centre in Canada. There is very little they do not serve. The Canadian Pacific has the big advantage owing to these two services I spoke of.

Q. What are they?—A. The Montreal-Vancouver and Toronto-Vancouver services.

By the Chairman:

Q. I suppose they always had those because they were the original through line?—A. That is the reason of it, and no change was ever made, and we were not in a position heretofore to go after the traffic, because we did not have the equipment. We will have the equipment available by the first of August or very shortly thereafter.

By Mr. Stewart:

Q. Is there any difference in your time between the points named, Montreal to Vancouver and Toronto to Vancouver from that of the Canadian Pacific?—A. I was not going after Toronto to Vancouver. I was going after Toronto to Winnipeg and Montreal to Winnipeg. The time there is just the same.

By the Chairman:

Q. For how long is a contract made?—A. It is not a case of a contract at all. The Post Office Department can determine the service and change it on a day's notice. The rates are fixed by Order in Council, under which we handle the mail.

By Hon. Mr. Graham:

Q. I do not quite get this, Mr. Fairbairn. You have a mail contract, and so does the Canadian Pacific. Are you paid by the number of cars you draw, or the mileage or by the pound?—A. We are paid by the size of the unit, it is based on space.

Q. What does that mean?—A. In the postal car service—what the Post Office Department call the "R.P.O.", with mail clerks in it—there are the full postal cars and the half postal cars. The clerks in them are on the Government pay roll, not the Railway's, and they sort the mail en route.

Q. These are the railway mail clerks?—A. Yes, the railway mail clerks. The other service is a baggage car service, in which the mail is entirely in closed pouches, and is taken on and off by the train baggage-man. There are several units for that, 3-foot, 7-foot, 15-foot, 30-foot—it depends on the volume of the mail.

By Major Bell:

Q. There are sections of the National Railway on the through lines that are not served by the Post Office Department?—A. Yes.

Q. Take Cochrane, for instance. If you mailed a letter at Cochrane, what would happen?—A. A letter from Cochrane to Winnipeg would go round by North Bay. I was going on the question of service to the public.

By Mr. Stewart:

Q. Who fixes the unit to be used in the service, the Railway or the Post Office Department?—A. The Post Office Department, and the rate the railway is paid is fixed by Order in Council.

Major BELL: I might say that we of the Railway sat in with the Post Office Department a little over a year ago. As a matter of fact, the Post Office Department asked the Railway Department here at headquarters if we would assign an official to it. Mr. Henry, who was at that time with the Railways, was assigned to go into the whole matter. He acted practically as an arbitrator between the Railways and the Post Office Department, and finally an agreement was reached as to the rates—not as to the runs—and these are embodied in a report to Council, which afterwards was approved by Council.

[Mr. R. L. Fairbairn]

APPENDIX No. 5

Mr. HARRIS: May I revert to that statement of Major Bell's in regard to portions of the Canadian National that were not receiving service? Did I understand you correctly, Major?

Major BELL: On account of having a through postal service. We are not asking for it all, because that would put the Canadian Pacific in the same position the National is in now; what we are asking for is that the units of service be changed so as to give a unit of service on both lines, and then both lines would have the same service.

By Mr. Harris:

Q. Mr. Fairbairn, is it not possible that the same thing obtains for the Canadian Pacific?—A. How do you mean?

Q. In the statement that Major Bell has made in regard to parts of the Canadian National that do not receive attention?—A. I do not know of anything or any place on the Canadian Pacific where a similar situation exists. Take between Montreal and Toronto. Our heavy mail service is Canadian National. There is a postal car service on the Canadian Pacific between Montreal and Toronto and Ottawa and Toronto, and the public is well served.

Q. Is it within your knowledge that the Canadian Pacific have the same conditions to cope with?—A. I do not know of any such place.

Q. Would you say there was no such place?—A. I think I can safely say there is no similar situation along the Canadian Pacific; the public is served very well. I know pretty well what their service is. I have the Post Office books issued twice a year. I have not them with me, but I know they show service all over.

Q. If we were to make a recommendation along the line you suggested, would not that condition then obtain on the Canadian Pacific?—A. No, sir, that would not take away service to the public. I wanted to show wherein it is of great importance along the lines of the Canadian National. Take Smooth Rock Falls, where newsprint plants are going up. The mail service there is very important. They want good mail service as well as train service. The same applies all over in regard to the mail service. The through service on the Imperial Limited, trains 1 and 2, C.P.R., has a full postal car. They have the same from Toronto to Vancouver on trains 3 and 4. We ask that the Montreal-Vancouver service on the Canadian Pacific be reduced to an apartment car, and the Toronto-Winnipeg service on the Canadian Pacific be reduced to an apartment car, and that apartment car service be authorized on the Canadian National trains which make the same time. That will give the public along the Canadian National Railways a very efficient service all the way through. It will not in any way take away service from the public along the Canadian Pacific. You cannot advocate taking away service from the public, but we do want service given to the people along our line, and we do want the additional revenue we are entitled to on account of our mileage.

By Mr. Kyte:

Q. How are these places served at the present time?—A. They are served by side service in different ways. For instance, take a letter going from Montreal to Hearst. It goes out of there on the Soo train of the Canadian Pacific leaving here at 11.15 p.m. standard time, and goes to North Bay and is transferred to a local train on the T. & N. O., arriving Cochrane 10 o'clock at night; goes to the post office at Cochrane, and goes forward in baggage service from Cochrane 24 hours later to Hearst.

Hon. Mr. GRAHAM: All this is interesting, but let me ask one question. Let us have a sample of this service as we go along, because we know nothing about it only what the witness tells us.

[Mr. R. L. Fairbairn.]

By Hon. Mr. Graham:

Q. How far is it from Cochrane, say, to Armstrong? I am picking out two places here on the Canadian National Railway.—A. 375 miles. That is, roughly.

Q. That is on the Canadian National Railways?—A. Yes, sir.

Q. Supposing a letter was mailed at Cochrane for Armstrong, what becomes of it?—A. My understanding is that it moves via North Bay to Winnipeg.

Q. It goes to North Bay? How many miles?—A. Cochrane to North Bay, and North Bay to Winnipeg on the C.P.R.—

Q. I want to find out how far that letter travels. It is 375 miles from Cochrane to Armstrong on the Canadian National?—A. Yes. It will travel approximately 1,700 miles.

Q. Let us get this thing out. You know all about this, but we want to know. From Cochrane it goes to North Bay via the T. & N. O.?—A. 253 miles.

Q. From North Bay where does it go—Winnipeg?—A. Winnipeg.

Q. How many miles is that?—A. Approximately 1,100.

Q. And from Winnipeg— —A. Back to Armstrong, approximately 375 miles.

Q. On the Canadian National Railways?—A. Yes, baggage service.

Q. It goes 375 miles from Winnipeg east, while if it travelled from Cochrane to Armstrong, it would be the same distance direct?—A. Yes.

By the Chairman:

Q. What would be the difference in time?—A. On that particular case the run is a little slow—it is about a 12-hour run.

Q. And how long does it take under present conditions to travel 1,700 miles?—A. 70 hours.

Q. Put it into days, and we will understand it better?—A. Well, three days.

By Mr. Stewart:

Q. That letter posted at Cochrane; is it the Canadian National all the way from Cochrane to Armstrong, or does the Canadian Pacific carry it from North Bay to Winnipeg?—A. Yes.

By Hon. Mr. Graham:

Q. It does not strike the Canadian National until it goes the 375 miles from Winnipeg?

Major BELL: It comes from Cochrane on the T. & N. O., to North Bay, and then via the Canadian Pacific Railway to Winnipeg, and then strikes us at Winnipeg.

By Mr. Kyte:

Q. You have a direct service between those points?—A. Yes, the Continental Limited on the Canadian National Railway runs by way of Ottawa, North Bay, Cochrane, Armstrong, Winnipeg, Melville, Saskatoon, Edmonton, Jasper Park, Kamloops to Vancouver

By the Chairman:

Q. It would not employ any greater cost to the Post Office Department to follow out your suggestion?—A. I don't think it would. I think that can be worked out so that it would not cost the Post Office Department any more, but it would give us a greatly improved route.

[Mr. R. L. Fairbairn.]

APPENDIX No. 5

By Mr. Stewart:

Q. You spoke of putting on two compartment cars service instead of one full car on the Canadian Pacific?—A. In that case we might have to adjust the rates somewhat.

Q. How would we stand, at the present time, with two compartment cars? It would cost— A. It would cost five cents a mile more. The rate for the full car is 35 cents, and for an apartment car is 20 cents.

By Major Bell:

Q. Under your plan there what would the two lesser units cost?—A. 40 cents, 20 cents each, but the Postmaster General is not anxious to increase the expenses of the Department, and we are not anxious to increase them, but I think we can find some good grounds on which to work that part out.

By Mr. Stewart:

Q. Have you any figures of what that would mean?—A. A change in service would have to be by Order in Council and the Cabinet would have to be satisfied on the expense part of it.

By Mr. Kyte:

Q. Would this reduce the money to be paid to the C.P.R.?—A. Yes, sir.

By the Chairman:

Q. Decrease it exactly to the extent that it would increase the Canadian National?—A. Yes.

Q. Which you have based on the relative mileage of the two systems?—A. Yes.

By Major Bell:

Q. As a matter of fact, you have got to take a letter from Hearst, for instance, to Armstrong—it comes down to North Bay, and then is carried along this long route to Winnipeg and back again. All that would be cut out. You would only be carrying it the 375 miles, so on the total of the year, even by paying 40 cents for these two lesser units, instead of 35 cents, the chances are it would even up?—A. It would make a considerable reduction.

Q. In other words, we are wasting money by sending it all around the country, and this would even it up?—A. Yes.

By Mr. Harris:

Q. I gathered from the conversation between the Chairman and yourself that the cost would be exactly the same?—A. That is what would have to be worked out. It is not only a case of having it cost the Post Office Department more money; the Canadian National Railway feels it is entitled to more mail revenue, and there is no question but the public throughout Canada will be given a more efficient mail service. I think that is one of the prime considerations.

Q. Will you explain the difference between the 35 cent unit and the two 20 cent units? What are they?—A. The one is a full car and the other is a half car.

Q. What service is in the full cars—A. Railway mail clerks are in both cars.

Q. Would there be as many railway mail clerks in a full car as in a compartment car?—A. There are more railway mail clerks in a full car than an apartment car. The full postal cars between Montreal and Vancouver and Toronto and Vancouver carry a full staff. I do not know how many men that is, but it is either six or eight men.

[Mr. R. L. Fairbairn.]

Q. How many on the staff of the compartment cars?—A. They would work three or four men, according to the volume of the mail.

Q. You do not know exactly?—A. No, there are some which run with one, and others with two, three or four.

Q. Speaking of the 40 cent units and the 35 cent unit: you do not take into your equation the number of railway mail clerks on the pay-rolls?—A. No.

Q. Then it would be necessary for us also to consider the number of clerks on the pay-roll?—A. By reducing the units and the volume of mail on the Canadian Pacific, it would reduce the number of postal clerks, but it would switch these to the Canadian National.

Q. You would have half the number of railway mail clerks on the 20 cent unit than on the 35?—A. Yes.

Q. I understood you would have three or four in the one case, and seven or eight in the other?—A. It all depends on the volume of mail. I know a number of compartment-car runs where they are working with two.

Q. You have not taken that into your calculation?—A. No. I think that is a detail which can be worked out very easily by the Post Office Department.

Q. Have you any evidence from the Post Office Department that you can submit to us?—A. No, I have nothing.

Q. You have no word about those suggested changes from the Post Office Department?—A. No. I do not think it would cost them anything in the matter of clerks. This is a suggestion of my own, but I think if this Committee would recommend the split to be made in this service, to give the Canadian National Railway a greater proportion of revenue, and give the public a better service the detail of expenses would be checked up by the Post Office Department. It would have to go to the Cabinet for an Order in Council before the change would be made, and the expense would be checked up prior to the Order in Council being issued. That would be gone into very carefully, and in the case of any disputed item we would have to sit in and see what we could work out.

Q. I understand your service will be ready by August 1st?—A. Yes, about that.

Q. Is it the desire of your company that this Committee should take this seriously into consideration at this time, or wait until you are ready?—A. It is certainly our desire that this be taken into consideration now, because it is a thing that requires considerable work in advance before the Post Office Department could make the switch. They could hardly make the switch before August 1st.

By the Chairman:

Q. That is what you are here for, to press the matter?—A. Yes.

Hon. Mr. GRAHAM: As a matter of fact, to my mind this Committee could not make any recommendation any further than that the matter be investigated, because it might entail the expenditure of a considerable amount of money. It is a pretty big problem, and is really a matter for the Canadian National Railways to state their position for the consideration of the Post Office Department and the Government, because this is really a Post Office matter.

Mr. HARRIS: I appreciate that

Hon. Mr. GRAHAM: If we could get the representations of the Canadian National Railway—

The CHAIRMAN: It is undoubtedly important for the Railway.

Hon. Mr. GRAHAM: So it is. I do not think it will be wise to make a recommendation until the Post Office Department takes it up.

By Mr. Harris:

Q. Are you acquainted with the different rates of pay, as it were, for the different mail clerks on the 20 cent service and the 35 cent service? In other words, are you prepared to give the Committee an idea as to the scale of wages—a comparative scale—that these different mail clerks would receive on the basis of the 35 cent units, and the 20 cent units?—A. No, I am not posted as to the wages. I understand, though, that the size of the postal unit has no effect on the wages; the wage question is entirely on seniority—length of service.

Q. Can you tell us what the general practice is with regard to the number of seniors carried on the 35 cent unit, and the number of seniors on the 20 cent unit?—A. The number of men carried is entirely dependent on the amount of mail.

Q. I am thinking of the class of men. Is it logical to assume there must be one senior mail clerk on a 20 cent unit?—A. I cannot say as to that.

Q. Would you say there was no such thing as a supervisor?—A. No. I do not know what they pay their men or anything about that. I have never asked any questions along that line.

Mr. STEWART: If my memory serves me right, Mr. Chairman, there was a question on the Order Paper this year regarding this matter, and I have a recollection that the answer as to why the Canadian National and Canadian Pacific Post Office contracts were different was that in certain regions the Canadian National Railway did not give the equipment necessary to give the service. That statement I presume is true?

The WITNESS: We have the equipment, but we have to handle the service which the Post Office Department gives us.

By the Chairman:

Q. You will have this larger equipment in August?—A. Yes.

Q. You are not ready at the moment?—A. Speaking about getting things ready, the Post Office Department could not swing this on short notice. In making a change in the service the Post Office authorities have to go in and revise the mailing lists of all the publications. For instance, take the Montreal Weekly Star, which has a very large distribution throughout Canada. Their mailing lists are made up in a certain form and as the papers come off the press they are put into pouches according to the postal runs in Canada. When there is a change in the service the postal men have to revise all these mailing lists, so the papers will go to the proper trains. That takes time. You cannot do it in a day or two. I doubt if the Post Office Department could be ready by August 1st, there is so much work involved in it.

Hon Mr. GRAHAM: You will not be called upon by August 1st to inaugurate this new arrangement. This is a big question. I was very anxious you should put your case before the Committee, because we want to get all the information we can.

The WITNESS: I was just giving this as an illustration to show that it is not a thing you can change overnight; there is too much involved in it. The principal things in this through service—perhaps the principal thing—is the service to the public all the way through. For instance, all mail between Winnipeg and the east, and points west of Edmonton on the Canadian National right through to Prince Rupert would be expedited 24 hours by service on the Continental Limited, trains 1 and 2. There are other cases which can be cited.

By Hon. Mr. Graham:

Q. Give us a citation for mail going to Edmonton or west?—A. Well, in regard to mail for Edmonton, the only difference it would make in a letter from

[Mr. R. L. Fairbairn.]

Montreal to Edmonton or Toronto to Edmonton is that mail would arrive at Edmonton at night instead of the next morning. It would insure delivery the first thing in the morning. The mail eastbound from all Canadian National local points, east of Winnipeg, would be expedited in delivery 24 hours all the way through. It would cut out practically all circuitous routes of mails all through Canada. You could write volumes showing all the circuitous routes used all the way through Canada.

By the Chairman:

Q. Have you enough copies of this memorandum so that each member of the Committee may have one?—A. No, but I will have some more made.

By Mr. Kyte:

Q. How about the mails from Halifax west—the Overseas Mail? Are they carried by the Canadian National?—A. From Halifax to Montreal only; then the C. P.R. get it.

Q. The forwarding of that mail further west is done by the Canadian Pacific?—A. From Montreal, yes. The Canadian National only handles it from Halifax to Montreal.

Q. Is there any reason why the Canadian National could not handle it?—A. There is occasionally a full car that will be handled through to Winnipeg, but there is very little Winnipeg mail that we handle west of Montreal.

Q. In arriving at this difference in the mail earnings of the two systems, was this fact taken into account in your calculations, that the overseas mail from Montreal west goes via the Canadian Pacific?—A. Yes.

Q. That is a difference in the earnings of both systems all over Canada?—A. Yes.

By Hon. Mr. Graham:

Q. Supposing this: The Canadian Pacific steamships handle their mail on their own trains. You have a connection with the White Star Line, the White Star carries mail?—A. Yes, they carry some mail, there is a great variation in the boats that carry mail.

Q. Take any other line: am I to understand that you take mail off of one of these other liners that carry mail, at Halifax, would carry it, not all the way through but only to Montreal?—A. That is right.

Mr. KYTE: That seems very strange.

The WITNESS: They cart that mail from the Canadian National to the Canadian Pacific station at Montreal.

By Mr. Stewart:

Q. Does that occasion any delay in the through service?—A. It might sometimes, but at other times it would not. It all depends on the time of arrival of the train carrying the mail at Montreal. Usually with the overseas mail it comes in in special trains. It might come in at a time that would not make any difference or it might be our train was going right through to Montreal, and the mail would miss the connection, and it would occasion a delay, perhaps of 24 hours.

By Major Bell:

Q. Is it not a fact that the Post Office Department would lose money on this haul from Hearst to Armstrong? To illustrate that, supposing a man has a parcel at Hearst he wants to send to Armstrong. Instead of using your line with the long haul, he would send it direct by express?—A. Yes, he could do that. Now, the mail comes from Great Britain this way, the carriage of that mail is paid for by the British Government to the Canadian port. The Canadian

[Mr. R. L. Fairbairn.]

APPENDIX No. 5

Government has nothing to do with it. On the eastbound mail to Great Britain the carriage is paid by the Canadian Government, but on the westbound mail the Canadian Government has no say about the routing of it. They select their steamers according to sailing date and speed of boat. The liners carrying a majority of the mail on the Atlantic are the Canadian Pacific, the Cunard, and the White Star-Dominion. We handle all the mail out of Halifax. That is on account of our service. Anything coming into St. John is handled by the Canadian Pacific. They have the short line there, and are entitled to it. During the summer season the mail comes in to Quebec, is taken off the boat at Quebec. The C.P.R. handles mail from their own steamers, and we are handling mail ex-Cunard and White Star-Dominion Line steamers. The C.P.R. have more sailings and also coupled with that fact is the fact that the White Star-Dominion and Cunard Lines have subsidies from the British Government for the carriage of mail to New York and Boston and on account of that agreement they are inclined to favour the Canadian Pacific steamships with the Canadian mail traffic to divide between the two lines because the Cunard Line and the White Star-Dominion do get the heavy mail traffic to New York and Boston—the American mail; so the Canadian Pacific carry a great deal more of overseas mail into Quebec than the other lines do. We are so short, we figure that the proportion of overseas traffic in mail for the C.P.R. should be reduced, and a portion routed Canadian National Railways in order to make up what we feel is our proportion of traffic due us on account of our mileage. I estimated that item for this year at \$31,000. I could not get all the details, the destinations of every car, or tell what volume of mail went beyond Winnipeg, but that is a fairly close estimate of what it would amount to this year. There is also another item. That is the overflow mail between Toronto and Montreal. The main postal service between Toronto and Montreal is on the Canadian National Railways but there is compartment postal service on the Canadian Pacific which gives the public along that line full service. On three nights a week there is overflow mail which goes by way of the Canadian Pacific to Montreal. We believe the overflow mail should be routed Canadian Railway every night. On three nights a week our equipment is standing idle. We estimate that roughly at \$16,000.

The CHAIRMAN: If you are through with that part of your statement I wanted to revert to the matter we were discussing a moment ago. But finish your statement first.

The WITNESS: The four items of mail revenue would be the Montreal-Vancouver, Toronto-Winnipeg, the overseas mail to Quebec, and the overflow Toronto to Montreal. This would give us approximately \$600,000 revenue per annum, and we would still be down on our proportion.

By Mr. Stewart:

Q. These figures are at the present rate, and not increasing the cost to the Post Office Department?—A. We might have to make some readjustments in the rates so as not to increase the costs to the Post Office Department.

By Mr. Harris:

Q. You cannot say it would not increase them.

The CHAIRMAN: That is under the control of the Government.

The WITNESS: That is under the control of the Government.

By the Chairman:

Q. I would like to return to that striking example in connection with the carrying of the mail from Cochrane to Armstrong wherein you state if the mail were given to the National there the distance would be some 375 miles as com-

[Mr. R. L. Fairbairn.]

14-15 GEORGE V, A. 1924

pared with 1,700 miles under present conditions, with an additional saving of two days in time; if you carried it, it would take but one day, while under present conditions it takes three days?—A. I would not swear to Cochrane and Armstrong—that the mail goes that way but I know from points west of Armstrong they are doing it.

Q. Are there possibly similar instances in connection with the National lines where you may have contracts to carry mail, in which you travel longer distances than might be necessary if it were carried by the Canadian Pacific? The point I want to get at is this: if these things prevail on both lines would it not be a good idea for the Government to take up the whole situation and try to work out an allocation of these mail-carrying contracts on the basis of short-distance hauls, and a saving of time, and efficient saving to the public?—A. I don't know anything of the Canadian Pacific being in the same situation—.

Q. The Canadian National Railways, you mean? I was asking if there were any similar conditions on the Canadian National?—A. No, the Canadian Pacific was the first line between the east and the west, and the mail service has been built up because of their being the first through line between the east and the west and I think I can safely say that every line of the Canadian Pacific has an efficient postal service. There might be some cases where people think they have more service; there might be one or two trains which would not have service, but it is a very safe statement to say that the public is exceedingly well served along the Canadian Pacific Railway. It is the new line that always suffers in postal service.

Q. You are entitled to a fair proportion, but if any rearrangement is made I think it should be made with the added purpose of giving quicker and more efficient service to the people along the various lines. In some places it might be well for your line to have it, other places for the C.P.R.—A. I do not know of any place where any of the public are suffering on account of circuitous routing of the Canadian Pacific. It is always the other way; it is always against the people on the Canadian National Railway.

The CHAIRMAN: There is room there for readjustment.

The WITNESS: That is, where it improves the service to the people.

By the Chairman:

Q. Would you like to make any further statements, Mr. Fairbairn?—A. The statement I have here gives example after example where we could greatly improve the service to the public.

Hon. Mr. GRAHAM: I will tell you how we could have this statement before us. We could have it copied in our minutes, and then every member of our Committee would have it available.

Mr. STEWART: I think that is the proper way.

Mr. HARRIS: Yes.

The CHAIRMAN: Then that will be done. .

The WITNESS: I thought perhaps some members of the Committee would want to ask me some questions on this. Perhaps they will later on.

(Whereupon the memorandum referred to was offered and admitted and by order of the Committee, on instructions of the Chairman is included in and made a part of this record, and is in words and figures as follows, to wit:)

CANADIAN NATIONAL RAILWAYS

MONTREAL, Que., June 25, 1924.

Routing of Canadian Mail Traffic

The present division of mail traffic between the Canadian Railways has been a matter of much concern to our officials for some time, for the following reasons:

[Mr. R. L. Fairbairn.]

APPENDIX No. 5

	C.N.R.	C.P.R.
Mileage in Canada.. . . .	20,510	14,895
Mail earnings in Canada, Fiscal Year ending March 31, 1924.. . . .	\$3,162,977 51	\$3,658,937 40
Mail earnings per mile of road.. . . .	154 21	245 65
Total Canadian mileage of the two lines is 35,405, yielding.. . . .	57.9%	42.1%
On Mileage basis, division of mail revenue should be.. . . .	3,949,888 74	2,872,026 17
On Mileage basis, C.N.R. is entitled to addi- tional traffic of.. . . .	786,911 23

The Canadian National Railways serves practically every important centre in Canada.

The through mail services between the East and the West are on the Canadian Pacific Railway, and this results in the Canadian Pacific Railway handling a greater proportion of mail traffic than it is entitled to by mileage and, also, in mail being handled via circuitous routes, thereby depriving the public along Canadian National Lines of the fast and efficient service to which they are justly entitled.

I would respectfully suggest the following:—

(A) That with the exception of services serving strictly local communities along other lines, all growth of services should be along the Canadian National Railways, so that the main mail services of Canada will be based upon Canadian National Railways train services.

(B) That instructions be issued that the following services be authorized on the Canadian National Railways, which will give the railway the following estimated additional mail earnings per annum:—

1. Apartment postal car service, Trains 1 and 2, Montreal-Vancouver..	\$391,864 00
2. Apartment postal car service, Trains 3 and 4, Toronto-Winnipeg..	176,076 00
3. All Overseas Mail ex steamers, Quebec..	31,000 00
4. All overflow Mail, Toronto-Montreal..	15,878 56

Total.. . . . \$614,818 56

Item 1.—Montreal-Vancouver Service. There is now operating on Canadian Pacific Trains 1 and 2, the "Imperial Limited," Montreal-Vancouver, a full postal car, and, in addition thereto, there is considerable overflow mail westbound from Montreal to Winnipeg and west thereof. The estimated annual mail revenue of the Canadian Pacific on this service is approximately \$850,000.00. In addition to the through service on these trains there is also service on other trains between Montreal and Sudbury, and Winnipeg and Moose Jaw.

On Canadian National Trains 1 and 2, the "Continental Limited," Montreal-Vancouver, the mail service is exceedingly restricted, being limited to baggage car service—3-foot unit only in a limited territory, and the revenue received is a mere trifle, as follows:—

Between	Service	Annual Revenue
Cochrane, Ont.—Hearst, Ont.....	Daily ex. Sunday..... 3 foot unit. Baggage car service.	\$ cts. 3,230 16
Hearst, Ont.—Armstrong, Ont.....	Tri-weekly..... 3 foot unit. Baggage car service.	3,194 88
Armstrong, Ont.—Sioux Lookout, Ont.....	Tri-weekly..... 3 foot unit. Baggage car service.	1,734 72
Sioux Lookout, Ont.—Winnipeg, Man.....	Daily ex. Sunday..... 3 foot unit. Baggage car service.	Free Service See Note 1.
Edmonton, Alta.—Jasper, Alta.....	Daily ex. Sunday..... 3 foot unit.	Free Service See Note 2.
Edmonton, Alta.—Mt. Robson, B.C. Jasper, Alta.—Mt. Robson, B.C. Jasper, Alta.—Vancouver, B.C.	Baggage Car Service.	
Lucerne, B.C.—Kamloops, B.C.....	Tri-weekly..... 3 foot unit. Baggage car service.	3,162 92
Total Revenue Service.....		11,329 68
Total Free Service.....		11,626 48

[Mr. R. L. Fairbairn.]

Note 1.—Provided free by Railway. This service started some years ago in order to give Postal Service to Railway Employees. Annual value of this service is \$6,285.04.

Note 2.—Provided free by the Railway from June 1st to September 30th for accommodation of summer tourist traffic. Annual value of this service is \$5,341.44.

We, therefore, ask that mail service on the Canadian Pacific Trains 1 and 2, the "Imperial Limited," Montreal-Vancouver, be reduced from a full postal car to an apartment postal car, and that apartment car service be authorized on the "Continental Limited" Trains 1 and 2, Montreal-Vancouver, of the Canadian National Railways, which will increase the mail revenue of the Canadian National Railways by approximately \$391,864 per annum, and give an increase of \$36,938 per annum to the Temiskaming and Northern Ontario Railway.

This change would not in any way affect the service to the public along the Canadian Pacific Railway, but would provide a greatly improved service to the public along the Canadian National Railways.

Apartment postal car service on the "Continental Limited," C.N.R. Trains 1 and 2, Montreal-Winnipeg-Vancouver would eliminate numerous transfers at junction points between C.P.R. and C.N.R. stations, which will tend to expedite the service and at the same time reduce Post Office Department transfer expenses.

The service to the public would be greatly quickened as follows:—

Mail between Montreal, Ottawa and stations east on the one hand, and T. & N. O. Ry. stations on the other hand, is now handled on C.P.R. trains 17 and 18 between Montreal and North Bay and on T. & N. O. local trains Nos. 17 and 18. A letter from Montreal or Ottawa to Cochrane would arrive at Cochrane at 7.30 p.m. instead of 10.35 p.m. The answer could be written and posted the following morning and would leave Cochrane at 12.20 noon, arriving Ottawa 5.40 a.m., or Montreal 8.55 a.m., the following morning, whereas under present service the answer would not leave Cochrane until the second morning following arrival, at 6.50 a.m.

Delivery of westbound mail at important stations on the T. & N. O. Ry. would be greatly expedited and the eastbound mail, being handled on a fast limited train, operating approximately five hours later than the train on which mail is now handled, would give the public greatly improved service.

Mail between stations east and south of Cochrane on the one hand and stations west of Cochrane on the other hand, is required to be handled via Cochrane Post Office for sortation purposes and on account of the lack of train connections with T. & N. O. local trains on which handled. With apartment service on C.N.R. Trains 1 and 2 the handling of this mail to and from important stations west of Cochrane at which trains stop would be quickened 24 hours.

The service west of Hearst, Ont., to Sioux Lookout, Ont., is tri-weekly, and where the volume of traffic warrants, daily service could be given.

Mail between T. & N. O. Stations and C. N. R. stations west of Sioux Lookout, Ont., to and including Winnipeg and all points west thereof is now handled via North Bay and C. P. R. trains. In the case of Winnipeg the delay is over 24 hours and if to or from a station between Winnipeg and Sioux Lookout the delay is approximately 48 hours. Note—a letter Winnipeg to Hearst is handled via Sudbury, North Bay and Cochrane.

The delivery of eastern mail at important stations west of Winnipeg would be greatly expedited, as follows:—

Rivers, Man., 24 hours.

Melville, Sask., 24 hours.

Watrous, Sask., 24 hours.

Saskatoon, Sask. Noon delivery instead of 3.45 p.m., which would enable letters to be answered and reply mailed on the day received.

Biggar, Sask., 24 hours.

Edmonton, and all points west of Edmonton on C. N. R., 24 hours.

Eastbound mail from points west of Winnipeg to Ottawa, Montreal and East thereof would arrive destination in nearly all cases 24 hours earlier than at present.

Locally in Western Canada the handling of all mail traffic would be greatly expedited.

Mail between
Winnipeg

And

every important business centre west of Winnipeg and east of Edmonton and all C. N. R. local stations east of Edmonton on the one hand

And

All C. N. R. stations west of Edmonton—would be expedited 24 hours.

The handling of mail between Vancouver and Edmonton and the delivery at Vancouver or Edmonton as the case may be, will be expedited from 8 to 24 hours, varying according to the time at which the letter is posted, all such mail now being handled via Calgary.

[Mr. R. L. Fairbairn.]

APPENDIX No. 5

There is considerable mail between stations west of Edmonton on the one hand and Vancouver and contiguous territory on the other hand which is now routed via Calgary and the handling of this mail on C. N. R. trains 1 and 2 would be quickened 24 to 48 hours.

Item 2—Toronto-Winnipeg service—A full postal car operates Toronto-Vancouver on Canadian Pacific Trains 3 and 4, and the estimated annual mail earnings thereon are \$800,000. In addition to the through service there is local service on other trains between Toronto and Sudbury.

Canadian National Toronto-Winnipeg Trains Nos. 3 and 4 operate via Capreol, Longlac and Nakina, and the only mail service authorized thereon is baggage car service—a 3-foot unit between Sudbury and Longlac.

We ask that the service on Canadian Pacific Trains 3 and 4 be reduced to apartment car service between Toronto and Winnipeg, and that apartment car service be authorized on Canadian National Trains 3 and 4.

With an apartment postal car service on these trains, which stop at all important stations en route, the public can, where the traffic warrants it, be given a daily service and the delivery of mail will be quickened as follows:—

Mail between Ontario points south of Sudbury to stations between Sioux Lookout and Winnipeg is now handled via Winnipeg. Direct service on trains 3 and 4 would quicken the delivery of this mail by over 24 hours. A letter between Sudbury and Armstrong is now handled via North Bay and Cochrane. Handling on Trains 3 and 4 would expedite delivery by 48 hours.

Mail between Ontario points and C. N. R. points west of Winnipeg would be greatly expedited and transfer of such mail at Winnipeg would be eliminated which would tend to reduce Post Office transfer expense at Winnipeg.

Eastbound mail from C. N. R. stations west of Winnipeg for Eastern Canada arrives Winnipeg in the morning after departure of C. N. R. train No. 2 for the east, and as a result goes forward on C. P. R. No. 4 from Winnipeg in the evening, resulting in a delay of from 8 to 12 hours or more in delivery at destination, and in a great many cases the delay will be 24 hours.

A letter from Melville, Sask., to Toronto, when handled on the C. P. R. east of Winnipeg arrives Toronto at 4.00 p.m., Standard Time, meaning delivery the following day, whereas if handled on the C. N. R. No. 4 from Winnipeg to Toronto the arrival time at Toronto is 7.20 a.m., and delivery would be made the morning of arrival. The same is true of every other local point west of Winnipeg.

Item 3—Overseas Mail ex Steamers, Quebec. At the present time Overseas Mail traffic ex steamers, Quebec, is divided between the two lines—mail arriving on Canadian Pacific steamers going forward C. P. R. rail, and mail arriving on Cunard and White Star-Dominion Line steamers going forward C. N. R. rail. The Canadian National Railways can give the service required and can handle a much greater volume of traffic with the cars now required for this service. It is estimated that the routing of all of this traffic via the Canadian National Railways would provide additional mail revenue of \$31,000 per annum.

Item 4—Overflow Mail Traffic Toronto-Montreal. The main mail services between Toronto and Montreal are now handled by the Canadian National Railways, the service along the Canadian Pacific lines being confined to that required by the public, with the exception that on three nights per week a car of overflow mail is routed C.P.R., Toronto-Montreal—during the balance of the week this overflow car being handled by the Canadian National Railways.

The equipment used by the Canadian National Railways stands idle on the days the Canadian Pacific handles this traffic.

The estimated annual earnings on this traffic now handled by the Canadian Pacific Railway is \$15,878.56.

General:—In connection with equipment for the handling of this traffic, please note the following:—

Item 1—Montreal-Vancouver: Equipment will be available in August.

Item 2—Toronto-Winnipeg: Equipment is now available.

Item 3—Overseas mail ex Quebec: Equipment is now available.

Item 4—Overflow Mail Toronto-Montreal: Equipment is now available.

It appears it should be possible to make arrangements whereby this mail traffic can be routed via the Canadian National Railways without any increase in operating expenses to the Post Office Department.

The CHAIRMAN: Any further questions to ask the witness?

The witness discharged.

The CHAIRMAN: Shall we go on now with the estimates?

[Mr. R. L. Fairbairn.]

14-15 GEORGE V, A. 1924

Mr. HARRIS: Item No. 106 in the Railway Operating Revenue for the year ending December, 1923: There seems to be quite a little shrinkage in the revenue for carrying mails—on page 18. Perhaps Mr. Fairbairn could enlarge on that for us.

Major BELL: Perhaps I could explain that to you, Mr. Harris. We had this readjustment and the cost of carrying the mails was reduced to the Post Office Department. That affected the Canadian Pacific just the same as the Canadian National; that is, lessening of the service to the Canadian National Railways and lessening the cost to the Post Office Department.

Mr. HARRIS: You have made some concessions to the Post Office Department with regard to rates?

Major BELL: Yes.

Mr. HARRIS: Due, perhaps, to the underlying principle of competition?

Major BELL: No, what is the fair rate? Mr. Henry, can you give us details on that? He has gone into that from top to bottom with the Post Office Department and the different railways, and we finally got to the place where we all agreed that it should be readjusted.

Hon. Mr. GRAHAM: The Post Office Department brings in an Order-in-Council after an agreement is made in regard to the new rates.

Mr. FAIRBAIRN: In addition to that there have been a few cases where the Post Office Department has reduced the character of the services on the trains; they have eliminated the postal car service and put in a baggage car service, which would mean a reduction in the Post Office Department expenses; they would not have to pay the railway as much, and would cut out the wages of the postal clerks, so that is reflected in that item. There is a big change going on all the time, and they are watching their expenses very closely.

The CHAIRMAN: Yesterday we were going on with the statement of expen-Traffic Expenses. I do not know that we touched that. Are there any other ques-examination of operating expenses in connection with Maintenance of Way, Structures and Equipment?

Mr. KYTE: That is pages 18 and 19?

The CHAIRMAN: Yes, and 20, I think. At the foot of page 20 begins the Traffic Expenses. I do not know as we touched that. Are there any other questions before we go on with the examination of Traffic Expenses?

Mr. STEWART: I would like a little explanation on a matter I do not understand in regard to items 151 and 152 "Joint facilities," giving first a credit and then a debit following.

Mr. HENRY: This represents the joint use of facilities at terminals, the joint trackage as between different railways.

Mr. STEWART: How do you get a revenue out of it?

Mr. HENRY: We get a revenue when some other carrier uses your facilities, and the expense part of it when we have to pay to use the facilities of other carriers.

Hon. Mr. GRAHAM: Would not the station facilities here be an example?

Mr. HENRY: Yes, that would.

Hon. Mr. GRAHAM: The C.P.R. pays the Canadian National Railways a certain amount per year for the use of its facilities. At another place, say in Quebec, the Canadian National Railways has to pay the Canadian Pacific.

The CHAIRMAN: Mr. Henry, you have a credit marked in one type and a debit in another type. Is there any significance in that?

Mr. HENRY: One is a credit and the other is a debit.

Major BELL: It takes the place of red and black ink in the printing.

APPENDIX No. 5

Mr. STEWART: It seemd a peculiar thing to me that it should appear under "Revenue"; I could not understand how a credit and debit could both appear in one item of "Revenue"; it looks to me like an outgoing account.

Mr. HENRY: Account 101?

Mr. STEWART: 151 and 152.

Hon. Mr. GRAHAM: It gives you a quick and ready way to find the difference, and strike a balance.

Mr. HENRY: The definition for that is this: "This account shall include the carriers proportion of revenue collected by others in connection with the operation of joint trackage, yards, terminals, and other facilities." That is the credit end. At the debit end it says, "This account shall include all proportion of the revenue from the operation of joint track, yard, terminals and other facilities which is creditable to other companies."

The CHAIRMAN: Is that any clearer to you, Mr. Stewart?

Mr. STEWART: I think I see it the way it is, yes.

Hon. Mr. GRAHAM: If the he-bird takes the worm, it is a male.

Mr. STEWART: It is revenue to somebody else, not to the Canadian National Railways.

The CHAIRMAN: We could hardly have both appear as revenue.

Mr. COOPER: The credit account is the payment to the Canadian National Railways, and the debit account is the payments by the Canadian National Railways.

The CHAIRMAN: If it is payment to the Canadian National Railways how does it get under "Revenue"?

Mr. COOPER: It is in the revenue account.

Mr. KYTE: That goes to make up the total revenue.

Mr. STEWART: It is deducted in this statement, Mr. Kyte.

The CHAIRMAN: It goes to make up the account.

Mr. STEWART: I did not total that up, but I presume if you added all these other figures to get the total you would have to deduct that \$42,888.

Mr. HENRY: That is correct.

The CHAIRMAN: Anything more on page 18? Page 19.

Mr. HARRIS: Is that a matter of policy—the matter of separating your depreciation from your general account, in your Tunnels and Subways, for instance and several other items?

The CHAIRMAN: What is the item?

Mr. HARRIS: 206.

Mr. COOPER: It is only of the American lines. Take, for instance, the depreciation in Tunnels. There is a depreciation on the St. Clair Tunnel between Port Huron and Sarnia.

Mr. HARRIS: Does the same obtain for items 227 and 228?

Mr. COOPER: Yes.

Mr. HARRIS: And items 233 and 234?

Mr. COOPER: The depreciation in that group—the account is in connection with the St. Clair tunnel.

Mr. HARRIS: How is the depreciation taken care of on your other fixtures, and in your general statement? Where is the item for depreciation on your other fixtures throughout the country?

Mr. COOPER: It is only on the tunnel; we accrue depreciation on roadway structures.

Mr. HARRIS: Only on a tunnel?

Mr. COOPER: Only on the St. Clair Tunnel. That is because it has to comply with the Interstate Commerce Commission's requirements as regards American roads.

Hon. Mr. GRAHAM: That is the tunnel at Sarnia?

Mr. COOPER: Yes.

Mr. HARRIS: Before we leave page 19, Mr. Chairman, I would like a general statement as to the replacing of ties, for instance, on any of the lines, with these creosoted ties, where they take out an old tie that is not creosoted and replace it with a creosoted tie. I would like to get an idea from Mr. Henry as to what portion of that is charged to Betterments and what portion to Maintenance of Ways?

Mr. BROWN: It is all charged to Operating Expense; no charge to Betterments there at all.

The CHAIRMAN: Although the new ties are better than the old?

Mr. BROWN: They have increased life, and cost more on account of the treatment.

Major BELL: That has been argued out half a dozen times—

Mr. HARRIS: Not in Committee.

Major BELL: No, not in Committee, but in connection with the railway, and while in the first year we may suffer a little in having extra maintenance costs, it will average itself up in the long run, and it was thought better not to disturb that.

Mr. HARRIS: Will the same condition obtain if you increase the weight of the rail?

Mr. BROWN: No. Increased weight of rail over what you are replacing is charged to Capital Account.

Mr. HARRIS: The bare increase?

Mr. BROWN: Yes.

Mr. HARRIS: Where is the replacing of one rail by another charged?

Mr. BROWN: To Operating Expense.

Mr. HARRIS: The fact that there is quite a little difference in the cost of ties during 1923 as compared with 1922 will be due largely to the fact that there is less replacement.

Mr. HENRY: There were a million ties replaced, but there was a decrease in the average price of ties, and there was an adjustment of \$600,000 from 1922 to that of 1921; there was a bookkeeping item amounting to \$600,000 representing an adjustment from the previous year.

Mr. HARRIS: The same explanation applies for items 214, 216 and 218 "Rails, other track material and ballast."

Mr. HENRY: In regard to rails. There was about 100 miles of new rails less in 1923 and about 200 miles less of relay rails.

Mr. HARRIS: The same applies to item 222?

Mr. HENRY: That is a little increase there.

Mr. HARRIS: Could you enlarge a little on item 243; there is an increase there of some \$30,000?

Mr. HENRY: I think that is largely due to—(To Mr. Brown) Do you know what that is? I do not know offhand.

Mr. BROWN: I think they are heavy repairs at the coal dock in Port Arthur.

Mr. HARRIS: At Port Arthur?

Mr. BROWN: Yes.

APPENDIX No. 5

Mr. HARRIS: Repairs to equipment you own at present.

Mr. BROWN: Repairs to the wharf and coaling dock there, yes.

Mr. HARRIS: Will you enlarge on item 245 "The Gas Producing Plant"? Is that also repairs?

Mr. HENRY: That is also largely repairs, yes.

Mr. HARRIS: You have an Accident Prevention Association within the Canadian National Railways' organization.

Mr. HENRY: First aid, I suppose you would call it.

Mr. HARRIS: Apart from the first aid, have you a prevention association?

Mr. HENRY: Safety First? Is that what you refer to?

Mr. HARRIS: Have you an organization within your organization that functions in a like manner to the Industrial Accident Prevention Association, which comes under the Ontario Workmen's Compensation Act?

Mr. HENRY: Well, practically, yes.

Mr. HARRIS: Do you work in unison with the Workmen's Compensation Board, say of the Province of Ontario?

Mr. HENRY: Yes.

Mr. HARRIS: Have you an association of your own more or less under their purview?

Mr. HENRY: Well, not in exactly the same way—not under their purview.

Mr. HARRIS: Do you work in unison with their inspectors?

Mr. HENRY: To a large extent.

Mr. HARRIS: Could you tell us just why, in a general way, there has been a considerable increase in the cost of your accidents last year as compared with the year before?

Mr. HENRY: Let me see, I think I have an explanation of that. There was an increase of \$85,000 on the western region that was due to heavier payments having been made to the Compensation Boards of the provinces of Manitoba, Alberta and British Columbia—

Mr. HARRIS: That is the whole point. What rate did you have? You mentioned the western provinces? Did you mention any particular province?

Mr. HENRY: Manitoba, Alberta and British Columbia.

Mr. HARRIS: What rate have you in Manitoba at the present time?

Mr. HENRY: I am afraid I cannot answer that offhand.

Mr. HARRIS: Do you know if there has been any reduction in the rate?

Mr. HENRY: I cannot answer that offhand.

Mr. HARRIS: You know all the manufacturing industries in Ontario, and all different classes of industries, have industrial accident prevention associations which have considerably reduced the cost of accidents.

Mr. HENRY: I suppose that is correct. We pay, of course, exactly the same rates as any of the other concerns.

Mr. HARRIS: I appreciate that all manufacturing companies in the same group, and all traffic companies in the same group would pay the same rate. Has there been any effort on the part of the carriers to get a reduction in the rates?

Mr. HENRY: I cannot answer that.

Mr. HARRIS: You do not know what has been paid in—

Mr. COOPER: We cannot tell you that.

Mr. HARRIS: You know what you paid the Board.

Mr. HENRY: We know what we paid out.

Mr. HARRIS: You got your returns from the Workmen's Compensation Board—what they paid out.

Mr. COOPER: I know the balance to our credit, but I do not know how much of that is surplus. We do not know what the difference is between the cost of the pensions and the amount paid in.

Mr. HARRIS: I don't just get that answer.

Mr. COOPER: We know the amount to our credit with the Board but we do not know if there is any proportion of that considered as profit or surplus over and above the actual costs of the compensation payments.

The CHAIRMAN: Should it not be considered that? If that is what you received over what you have paid in, and so much has come out, and so much stands to your credit, would that not be a surplus?

Mr. HENRY: I suppose he refers to the cost of administration.

Mr. COOPER: If there is a surplus on one case I believe the Board keeps it and applies it on other cases.

Mr. HARRIS: Have you finished your statement—

Mr. HENRY: There were payments to 11 employees amounting to \$45,000, and \$12,000 was paid covering the administration expense of the Workmen's Compensation Board of the provinces of Manitoba and British Columbia for 1921 and 1922. That was included in last year.

Mr. HARRIS: Are you prepared to make a statement with regard to the insurance, just exactly what that covers, and why it is considerably more than it was last year?

Mr. HENRY: Prior to, I think it was May of last year, the perishable property of the old Canadian Government railways was not covered by insurance. Subsequent to May it was all covered, and this amount credited to the insurance reserve. That additional amount represents insurance, largely, upon properties of the Canadian Government railways not previously covered.

Mr. HARRIS: What is the policy of the Canadian National Railways in the treatment of insurance? Have you any fixed policy with regard to ultimately carrying your own insurance?

Mr. HENRY: We have. Major Bell might answer that.

Major BELL: That was all gone into yesterday.

Mr. HARRIS: Very well, I will not waste the time now; I will look at the report of yesterday's proceedings for that. Take Item 278. Has that been explained?

Mr. HENRY: Yes. The difference there simply represents or is due to the fact that the inter-company transactions have been eliminated.

Mr. HARRIS: If any of these items are covered, I do not want to waste the time of the committee.

The CHAIRMAN: I think that has been explained, Mr. Harris.

Mr. HARRIS: Everything down to 337?

The CHAIRMAN: We did not take them item by item, but there was a general review. Now, page 20; if there is anything there we might take it next.

Mr. HARRIS: Has there been a general statement made with regard to repairs and depreciation and so on?

Mr. STEWART: There is a question I do not think we touched yesterday which would come in under these headings. I notice—this is the third item—that we have under the heading "Superintendence" an increase. I would like a statement to explain that, and I want to make this statement that at Saskatoon, a point with which I am fairly well acquainted, there was a good

APPENDIX No. 5

deal of local comment it may be as much as two years ago, over the fact that the Canadian National had five superintendents over the various work in Saskatoon, whereas the C.P.R., which is in a similar condition so far as mileage is concerned, had only one there. The comment was to the effect that the C.N.R. was overmanned as far as that was concerned. I notice there is still an increase in superintendence of these various works.

Mr. HENRY: I think, broadly speaking, you might say that that is due to the general strengthening up of the supervising forces.

Mr. STEWART: On the other hand, would you care to make any comment as to this criticism which has been levelled at the Canadian National at that particular point? That it is overmanned so far as superintendents are concerned, compared with its competitor the C.P.R.

Mr. HENRY: I do not think I would say that.

Major BELL: Mr. Stewart, that particular point, Saskatoon, we will wire Mr. Warren, our general manager there, and if you will just put a question we will have him wire a very full reply and have it here for to-morrow's meeting.

Mr. HENRY: I will undertake to do that.

Major BELL: Generally speaking, when you speak of superintendents, of course you do not mean the ordinary superintendents of the road; you mean those in charge of shops and that sort of thing. That is what we call a superintendent. I know there are not five superintendents at Saskatoon.

Mr. STEWART: I do not even know what branches or departments they are at the head of.

Major BELL: You mean, speaking generally, the supervision in Saskatoon. I know we have not five superintendents there; that would be out of the question, but your statement relates to the supervision there of our senior men, that we have more than the Canadian Pacific.

Mr. STEWART: Yes.

Major BELL: We will give you an answer in the morning, in the greatest detail, from the man there.

Mr. STEWART: I want an answer that will be a reply to the local criticism. That was two years ago, and they may not be there at the present time.

The CHAIRMAN: We are still at page 20; any further questions there?

Mr. HARRIS: Has item 356 been dealt with?

The CHAIRMAN: No, I do not think so; I was just trying to finish "Maintenance of Equipment". Now we will go on to "Traffic Expenses". Do you wish to take this item by item, or merely dip into it as you are interested. I notice quite an increase there in industrial and immigration bureaus, from \$145,000 to \$300,000.

Mr. HENRY: That is due largely to the Colonization Department organized in 1923, about which I think the President gave a statement.

The CHAIRMAN: Yes, I believe he did speak about that.

Mr. HARRIS: Is this what you might term a domestic expense or a foreign expense?

Mr. HENRY: It is partly the one and partly the other.

Major BELL: If you look at page 7 of the report you will find an explanation by the President.

Mr. HARRIS: Before leaving Maintenance of Equipment, if I may refer to it for a moment, what do you anticipate will be the result of next year's operations? Do you still anticipate a decrease in the cost of maintenance of equipment?

14-15 GEORGE V, A. 1924

Mr. HENRY: I think, generally speaking, our equipment is in first-class condition. That would be illustrated by taking for example the average condition of our freight cars in 1923 as compared with 1922. I think the percentage of bad order cars, for instance, was 6.2 per cent in 1923, whereas it was a little over 10 per cent the previous year. That shows it is in pretty fair shape.

Mr. HARRIS: And your retirements help out considerably; the more retirements you have, the more it helps you out.

Mr. HENRY: The car retirements, of course, increase our expenses.

The CHAIRMAN: We will take "Traffic Expenses" now. Item 356. Mr. Harris, were you content with what is given in the first part of the report, or do you want further information on that?

Mr. HARRIS: No, I will let it go at that.

Mr. STEWART: In connection with that item, I do not know just as to what form these immigration bureaus are taking. Have we any statistics which have been compiled to show us how effective that branch of the Canadian National Railways will be or is it so interwoven with the Immigration Department that we could not get fair figures?

Major BELL: This year it is just being organized; I think it was in September or October that Mr. Black went over.

Mr. HENRY: The Colonization Department was not really organized until about the end of the year.

Major BELL: So next year you will have a full statement of the work. It was really just in the process of being organized when this report was being prepared.

Mr. STEWART: If it had not been taken into account, I should offer the suggestion that the figures be so placed before us as to enable us to make comparisons with other colonization schemes.

The CHAIRMAN: You mean the number of immigrants that could be obtained as the result of this expenditure?

Mr. HENRY: That is our purpose.

Hon. Mr. GRAHAM: It is a pretty big policy. When we come to the estimates in the House, I would like a synopsis of the organization.

Major BELL: We will have that for you.

Hon. Mr. GRAHAM: There is an item there you have not looked at——

Major BELL: Let me give an explanation in connection with that. In addition to Mr. Black, Mr. Dalrymple, our vice-president in charge of traffic, has just got overseas; he is at present in the Old Country going very fully into the organization, and that work will not be complete until he gets back; he is working on it now. There has been so much to do in Canada that he was not able to get over last year.

Mr. MILNE: Is this railway immigration organization entirely independent of the Government department?

Major BELL: Absolutely independent, but working with them wherever it is necessary.

Mr. MILNE: Would you have two offices in the same city, for instance?

Major BELL: Yes; the Canadian Pacific has offices all over the Continent, as well as in London.

Mr. MILNE: But they have not an immigration department, like we have?

Major BELL: Yes; they have had one for years.

APPENDIX No. 5

Hon. Mr. GRAHAM: The Immigration Departments of the two railways, and the Government Immigration Department are working together. Each railway has its own organization and they are working with the Government.

Mr. MILNE: I realize why the C.P.R. would have an organization of its own, because it is a private company, but here we have practically two departments of the same company, so to speak, for the same purpose.

Major BELL: We are a company, in our department.

Hon. Mr. GRAHAM: You see, if the Immigration Department of Canada was working for the Government interests, and the C.P.R. was working for its own private interests, the Immigration Department would not care where the traffic went; they would only be getting immigrants, and if the C.P.R. as a company did not have its own department it would not get its share of the traffic, unless the Government became an agent for the C.N.R.

Mr. MILNE: I do not see why we should have the two departments, when it is all being paid for out of the one pocket.

Hon. Mr. GRAHAM: It would be difficult to have the Immigration Department act for the Canadian National Railway at the same time. The company has to function on its own behalf. You see, if you had been here an hour or so ago you would have seen that the company had been putting up a very strong case to get its share of the traffic from another department of the Government.

Mr. STEWART: May we take it for granted that the Immigration Department will work in conjunction with the Canadian National Railways, so that they will get a fair share of the traffic drummed up by the Immigration Department?

Major BELL: If we do not, you will hear from us.

Hon. Mr. GRAHAM: I was going to ask a question myself. There is an increase shown in advertising. Is that not a pretty large sum for advertising?

Mr. HENRY: I think not.

The CHAIRMAN: Mr. Henry, can you say anything about that?

Mr. HENRY: That represents a little more advertising in 1923 than in 1922; that is about all I can say.

The CHAIRMAN: Can you say what form that advertising takes? Is it magazine advertising or newspaper advertising?

Mr. HENRY: It is all kinds of advertising.

Mr. STEWART: That includes the advertising of summer resorts and hotels?

Mr. HENRY: Yes, everything.

Mr. COOPER: Train service, and so on.

Hon. Mr. GRAHAM: Does that include the printing of timetables?

Mr. COOPER: No; that is under "Stationery and Printing."

Major BELL: Where is the radio?

Mr. COOPER: It is divided in the Maintenance of Equipment group. The maintenance of the equipment itself is under Maintenance of Equipment. There is the Miscellaneous Equipment account, No. 329.

The CHAIRMAN: I notice your Stationery and Printing account, to which you have just referred, has been very much reduced the last year. Had you a large stock on hand, or did you do less printing?

Mr. HENRY: That is almost entirely due to an extra heavy charge for printing revised freight and passenger tariffs for 1922. It did not occur in 1923.

The CHAIRMAN: Shall we pass on to page 21?

Mr. HARRIS: Before leaving page 20, where do you find the capital item corresponding to "Miscellaneous Equipment," item 329?

Mr. HENRY: That is on page 23, No. 58.

The CHAIRMAN: It would hardly be that, would it?

Mr. COOPER: I do not think we had paid for most of our radio equipment by the end of 1923.

Hon. Mr. GRAHAM: This is only as of December 31, 1923.

Mr. HARRIS: That is all you expended in 1923?

Mr. COOPER: Yes, I believe that is so.

Mr. HARRIS: And this little gap left on page 20, then, is to take care of it for the coming year, 1924; depreciation and retirement. Is that entirely for radio?

Mr. COOPER: No, it would not be particularly for radio.

Major BELL: That is a standard account. These numbers are all the United States classification, and even if we do not have an item we have to put it in.

Mr. HARRIS: Would it be possible to have that item put in, so we could separate the radio from the miscellaneous equipment?

Major BELL: We must follow the standard accounting laid down by law. If you want to know the cost of the radio, in any of its phases, we can give it to you. As a matter of fact, it is on record in the House in answer to a question which was asked.

Mr. HARRIS: It is, of course, found under "Miscellaneous Equipment?"

Major BELL: We can give you the statement, if you like.

Hon. Mr. GRAHAM: My own opinion, for what it is worth, is that you ought to divide the cost of the radio between equipment and advertising.

Mr. COOPER: I was really wrong there. The maintenance of equipment is in the Maintenance of Equipment account, and the cost of operating—that is the men on the trains and so on—is down in account No. 402, under "Transportation."

Mr. HENRY: Of course, that includes everything as well as the operating of the radio.

Hon. Mr. GRAHAM: I may be all wrong, but it is not train equipment in any sense. Your broadcasting station, say at Ottawa, is not train equipment, surely; it is purely advertising, to my mind. The cost of operating that station is largely advertising, and good advertising.

Mr. COOPER: I may say that we have had quite an argument as to the proper account for that expense. The classification as here laid down does not contemplate radio, but in the 1924 accounts it was our intention to put it all into one account.

Mr. HARRIS: Will the classification let you do that?

Mr. COOPER: The classification does not include radio, so we have that option.

Mr. STEWART: This question I am going to ask has no particular bearing, but it struck me during the explanation Major Bell was making a while ago about picking out the numbers. I notice these numbers are not consecutive, that there are a great many missing; is it because there is no item for that particular number?

Major BELL: No item for it.

Mr. STEWART: These numbers are those which would correspond in the Interstate Commerce Commission classification with accounts you do not have?

Major BELL: Yes. We have correspondence with other railways, and they refer to a particular number, you see.

APPENDIX No. 5

The CHAIRMAN: Anything further, gentlemen? Are we through with page 20? On page 21 I notice the third item is reduced; that ought to please Mr. Stewart, because it applies to superintendence. What is the reason for that? It is reduced by about \$100,000.

Mr. HENRY: That is a very small reduction; I could not give you the exact reason. It is in the right direction, however.

The CHAIRMAN: The item there for fuel for train locomotives; is the coal all purchased by tender?

Mr. HENRY: Yes.

The CHAIRMAN: Lots of competition?

Mr. HENRY: Oh, yes. Of course, a portion of that is obtained from the Rail and River Coal Company.

The CHAIRMAN: What is that?

Mr. HENRY: That is a coal company we have down in Ohio

The CHAIRMAN: Do you buy mostly Canadian coal or do you have to import much?

Mr. HENRY: We import a certain amount as well.

The CHAIRMAN: Where would that be, in Ontario?

Mr. HENRY: That would be in Ontario and up the lakes.

Mr. HARRIS: Before that, I would like to get item 382 explained. What weight of fuel is used to haul one thousand gross tons one mile? That is your usual way of expressing it, is it not?

Mr. HENRY: That, of course, varies with different divisions.

Mr. HARRIS: You have three divisions?

Mr. HENRY: You would like three divisions?

Mr. STEWART: You have three divisions now?

Mr. HENRY: I mean the various operating divisions.

Mr. HARRIS: How many divisions have you on the road now?

Mr. HENRY: I think we have 40 and odd.

Mr. HARRIS: Can you give us an example on one of these divisions, give us what it is costing you?

Mr. HENRY: For a thousand gross ton miles? We could supply those figures, but offhand I would not like to say.

Mr. HARRIS: Can you give the average for the whole system?

Mr. HENRY: Yes, but I do not know that that would illustrate it very much.

Mr. HARRIS: If you gave me the average for the whole system for this year as against last year, it might be of interest.

Mr. HENRY: Very well.

The CHAIRMAN: You have not that at hand.

Mr. HENRY: No, I would only be guessing.

Mr. HARRIS: You could get that, perhaps, for the next meeting?

Mr. HENRY: Yes, I can have that for tomorrow morning.

Mr. HARRIS: And perhaps at the same time you could tell us where you get the reduction. As a matter of fact, I understand there has been a considerable reduction in the amount of fuel consumed per gross ton mile.

Mr. HENRY: Yes.

Mr. HARRIS: And then perhaps you could tell us at the same time the reason for the increased cost over the whole twelve months period?

Mr. HENRY: Of course, I can tell you that right away. The increased amount consumed was due to the increased traffic.

Mr. HARRIS: Entirely?

Mr. HENRY: Oh, yes.

Mr. HARRIS: Is there any movement being made by the management to reduce the amount of coal being consumed for a thousand gross ton miles?

Mr. HENRY: Every possible means.

Mr. HARRIS: You have an organization set up for that purpose?

Mr. HENRY: We are testing it out every day.

Mr. HARRIS: You say you are testing it out every day. Is the test divided into regions, or into engine divisions?

Mr. HENRY: Yes, we set up comparisons between the performances of respective districts.

Mr. HARRIS: Have you any information as to the average poundage used per gross ton mile on the American roads?

Mr. HENRY: Yes. I doubt whether we could get that for 1923, but we can try.

Mr. HARRIS: Is it the policy of the Canadian National Railways management to use such things as smoke-consuming devices to increase the efficiency?

Mr. HENRY: On the prairies we are compelled to equip our locomotives with those devices.

Mr. HARRIS: Does that apply down in the Atlantic region, for instance?

Mr. HENRY: Oh, yes. I do not think there is any regulation there, but as a matter of fact we do.

Mr. HARRIS: Have you any information with you this morning as to the ratio per ton of freight hauled as compared with the fuel the same train would be hauling? I mean a comparison of freight as against coal.

Mr. HENRY: How much fuel enters into the cost of handling a ton of freight?

Mr. HARRIS: This is what I have in mind. We appreciate the fact that if it is an electrical equipment, an electric engine, of course, is not carrying coal.

Mr. HENRY: Yes, that is correct.

Mr. HARRIS: I want an idea from you as to how much coal is carried to carry one thousand gross tons a mile?

Mr. HENRY: What weight of coal is required to carry one thousand tons of freight one mile?

Mr. HARRIS: Yes. I understand one thousand gross tons is the usual expression.

Mr. HENRY: I can work that out for you.

Hon. Mr. GRAHAM: You have to haul the coal as well as the freight.

Mr. HARRIS: Yes, that is the point. You have a very strong propaganda going on at the present time among your train crews, asking them to reduce the amount of coal consumed?

Mr. HENRY: Yes.

Mr. HARRIS: All the time?

Mr. HENRY: Oh, yes.

Mr. HARRIS: You have a regular organization set up for that purpose?

Mr. HENRY: Yes, we have travelling firemen for that purpose.

Mr. HARRIS: Would you be able to give the committee what success you have had in that connection? Have you any string on the way they are functioning?

Mr. HENRY: I think we could probably give you some comparison as to that.

The CHAIRMAN: You cannot do that now?

Mr. HENRY: Not offhand.

APPENDIX No. 5

Mr. MILNE: Have you a regular research department for the purpose of finding out the efficiency of automatic stokers and different types of locomotives and so on?

Mr. HENRY: That is done under the direction of the executive officers in Montreal.

Mr. MILNE: You carry on experimental work?

Mr. HENRY: Yes.

Mr. STEWART: Are there any electrified lines coming under this heading here?

Mr. HENRY: No. I think the St. Clair tunnel is the only thing, and it is about a mile long, running to Detroit.

The CHAIRMAN: You have several lines, but operated by other companies?

Mr. HENRY: Yes, but not in this account. There is also the Montreal tunnel as well.

Mr. STEWART: Would the current consumed by an electric line come under the heading of "fuel"?

Mr. BROWN: No, it would come under Items 395 and 396. "Train Power Produced" is electric power produced and "Train Power Purchased" is electrical power purchased.

The CHAIRMAN: Is the railway making an investigation as to the possibility of operating some of the branch lines by other than steam power?

Mr. HENRY: Yes.

The CHAIRMAN: I am referring to gas propelled cars, as well as electric lines.

Mr. HENRY: Yes; gas propelled and unit cars. We have been investigating that for some time.

The CHAIRMAN: What is the result?

Mr. HENRY: We have not reached any definite conclusion yet as to what is the best type.

The CHAIRMAN: Have you anything to give as to the relative merits of the electric storage battery car and the gasoline propelled car?

Mr. HENRY: I would not like to answer that offhand, no. Our experience has varied.

The CHAIRMAN: You have experimented?

Mr. HENRY: Yes.

Hon. Mr. GRAHAM: I have now to go to Council so perhaps you can decide as to whether it would be wise to bring in a motion in the House asking for leave to sit while the House is in session. Then, if that were done, we could probably finish up this afternoon. I also thought it might be interesting to the committee to have Mr. Henry give us a statement concerning the electric lines we own, because we have inherited some electric lines, too.

Mr. HARRIS: Yes, that was what I had in mind.

Hon. Mr. GRAHAM: I do not mean to interfere with this present discussion, but when we get through we can have that statement.

Mr. STORK: I think, Mr. Chairman, we should ask for permission to sit while the House is in session. We might sit this afternoon or tomorrow.

The CHAIRMAN: It is moved by Mr. Stork and seconded by Mr. Stewart that the Committee request the permission of the House to sit during sessions of the House. What is your pleasure, gentlemen?

Motion agreed to.

Mr. MILNE: Just while we are on this transportation, that is gasoline and electrification, I think it would be very interesting if we had a report as to the progress of these gas cars, because there is a strong feeling in the West where there are branch lines that there is really poor service given. When a farmer ships out cream in hot weather, it is essential that a good service should be given, and yet the traffic is not sufficient to warrant a fully equipped train. There is a big feeling among the people of the prairies that gasoline cars, or even these hand cars with the motor and trailer, could be used.

Mr. HENRY: It would not carry very much. We are really investigating every branch line upon which we think unit cars of that type could possibly be used to advantage.

Mr. MILNE: You have no conclusions as yet, no report of progress?

Mr. HENRY: The results have fluctuated so much that it is pretty difficult to draw a conclusion, a definite conclusion. In other words, our experience has not been over a sufficiently extended period to enable us to form any definite conclusion.

The CHAIRMAN: Have you investigated that situation in the United States, where, I understand, these cars are being used?

Mr. HENRY: Their experience there has not been, on the whole, entirely satisfactory. We have looked into it.

The CHAIRMAN: For what reason?

Mr. HENRY: Largely because the right type of equipment has not been developed yet.

The CHAIRMAN: Are there many gasoline propelled cars in operation in the United States? Can you say as to that?

Mr. HENRY: There have been a number.

The CHAIRMAN: Successfully?

Mr. HENRY: Not very successfully.

The CHAIRMAN: Is there more success with the storage battery car?

Mr. HENRY: Our experience has been more satisfactory with the storage battery car than the gasoline car.

Mr. MILNE: Are you trying any in the western prairie provinces?

Mr. HENRY: I think we have one there.

Mr. BROWN: Yes, we have one running in Winnipeg, on a short run.

Mr. STEWART: A gasoline car or a storage battery car?

Mr. BROWN: A storage battery car.

The CHAIRMAN: That is a great deal more expensive than the gasoline car?

Mr. BROWN: Yes.

Mr. HARRIS: I understand there is going to be a general statement made about this, so I will not take up any more time.

The CHAIRMAN: Do you wish to discuss anything further on page 21?

Mr. HARRIS: I would like to ask Mr. Henry to cover this statement about insurance, as briefly as possible.

Mr. HENRY: That is due to the same cause as the other, including insurance on the property of the old government railways.

Major BELL: Do you want a general statement as to our insurance?

Mr. HARRIS: Yes.

Major BELL: Before the amalgamation, we have the government-owned railways, upon which there was no insurance. It had always been the government policy in the past to cover their own insurance, but they never set up any

APPENDIX No. 5

reserve accounts. That obtained on the government roads as well as upon the government business. When the Canadian Northern came over, we found they were insuring the greater portion of their property, especially rolling stock. As it was mortgaged, they were compelled to carry insurance. Then they started an insurance of their own; they set up a reserve account, but it was only book-keeping. Then the Grand Trunk started, and they set up a reserve which was cash, and which was invested. It ran up to something over \$1,000,000. When the present management came in, last January, we went into the whole question of insurance, marine and fire, and it was decided to carry all our own insurance, setting up cash reserves and charging to that all losses. That conclusion was arrived at after carefully analyzing our experience over the last ten years, and the conclusion arrived at was that we could make an enormous saving. Some years, of course, the insurance companies have to pay out more than they receive in premiums, but taking the average over the last ten years I found that the insurance companies, if they had carried the insurance for the whole of the National Railways, at the rates they were charging us, would have had profits of approximately \$1,000,000 a year, and I saw no reason why the Canadian National should not have the benefit of that. That was placed before Sir Henry Thornton and he went very carefully into it and had an insurance expert go over it, and they both agreed to the system. Then it was brought before the Board, and the Board agreed to it. To-day we have a few risks out, I do not think they amount to 5 per cent of our total, and they will lapse in the course of a few months, and we will carry it entirely. This year, as a result, we estimate that we have saved about \$1,250,000, I think it is. We have not reduced our rates, but we probably will later on. At the present time we want to accumulate a fund in case of a catastrophe at any point, such as our elevators and so on. We have in the neighbourhood of \$3,000,000 or \$4,000,000 in that reserve, invested in government bonds.

The CHAIRMAN: This item represents the actual amount of cash in the reserve?

Major BELL: Yes, and against that reserve is charged our losses. Of course, you do not see the Marine Insurance there, which is also a large item. One reason why we decided we should carry our own insurance, and why it was good business, was this: I think the insurance for the Canadian National lines would probably run about nearly \$300,000,000 or \$400,000,000. That is probably the amount that, if you were putting out all your insurance, you would carry. There is no such company in existence in the world, having respect to a fire risk, as the Canadian National Railway System. The risks are very wide-flung, from Halifax to Vancouver, and we have boats on practically every ocean in the world. If an insurance company wanted to build up a business representing insurance of \$300,000,000, they would probably take original risks of about \$1,000,000,000; then they would reinsure so as to divide up their risks, and they would finally bring that down to \$300,000,000. I do not know any insurance company—and I say this after talking to experts—having a business of \$300,000,000 which they are carrying themselves, that has a better risk than the \$200,000,000 that is involved in the far-flung risks of the Canadian National Railways. Therefore, to all intents and purposes, we are an insurance company of our own with a first class lot of risks.

The CHAIRMAN: What do you insure against?

Major BELL: Fire and marine losses.

The CHAIRMAN: Any damage or collision insurance, or anything like that?

Major BELL: No, we have not taken that up yet.

Mr. GAUVREAU: You have covered that ground already.

Major BELL: Yes, but Mr. Harris wanted an explanation of that.

14-15 GEORGE V, A. 1924

Mr. STEWART: The reserve you are building up is built up by deductions made on standard rates?

Major BELL: On standard rates, if anything slightly below. They are approximately the same rates we were paying the insurance companies.

Mr. STEWART: Have you been operating on that system long enough to be sure that it is going to carry you through all right?

Major BELL: We have based our experience on what we paid out to insurance companies and what we would have paid if the government railways had been insured for the last ten years. That is why I make the statement that if we had had all this property insured during the last ten years and we had been paying the same rates to insurance companies, the insurance companies would have benefited to the extent of \$1,000,000 a year. You see, it is a huge risk.

Mr. STEWART: If we had been under the system we are now under, of building up a reserve, we would by now have had a reserve of approximately \$10,000,000?

Major BELL: Yes. I do not mean to say that the insurance companies have had that \$1,000,000 yearly, because there has not been that insurance out, but they have made good profits, almost huge profits, for the last ten years.

The CHAIRMAN: Does it require much of an establishment to carry that work on?

Major BELL: No.

The CHAIRMAN: You would not have the overhead an insurance company would have?

Major BELL: No. I may say in connection with the insurance that we are running a protection bureau, going through the shops and taking care of fire risks and training men, and so on, so we hope to cut our losses a good deal.

Mr. HARRIS: Could you make a statement as to whose jurisdiction this protection association or organization is under?

Major BELL: Mr. Keystone is the insurance expert.

Mr. HARRIS: You do not know who has the supervision of the accident prevention bureau?

Major BELL: No, offhand I do not.

Mr. HARRIS: These two are very closely associated, one with the other.

Major BELL: Of course, all that comes under one head, under Mr. Robb, Vice-President, but whether Mr. Keystone has that under his jurisdiction, I could not say. He has the insurance and the prevention of fire.

Mr. HENRY: The whole thing is under Mr. Robb, the Safety First campaign, and the Prevention of Accidents.

Mr. HARRIS: Did I understand that you are going to bring to the committee tomorrow a statement as to the exact cost of your accidents at the present time, that is the cost per \$1,000 of your payroll, and the cost last year?

Mr. HENRY: We can do that, yes.

Mr. HARRIS: And at the same time you might tell us under whose supervision this comes, if there is any effort being made by the railway management to co-ordinate the accident prevention and the fire prevention associations within your organization.

Mr. HENRY: We have a well organised system of fire prevention.

Mr. HARRIS: You do not know about the accident prevention?

Mr. HENRY: No, I do not know how closely they work together.

Major BELL: That is under Mr. Keystone. Who is the head of the Safety First campaign?

APPENDIX No. 5

Mr. HENRY: Mr. Booth.

Mr. HARRIS: You could give us to-morrow an analysis of item 420, to what provinces these monies were paid?

Mr. HENRY: Yes.

Major BELL: I presume this \$770,000 was practically all compensation?

Mr. HENRY: We might not be able to get the details of that for to-morrow, because we might have to go to the different regions for it.

Mr. HARRIS: Perhaps you could get the rates, could you?

Mr. HENRY: I think so.

Mr. STEWART: Is there any insurance reserve that will correspond to employers' insurance?

Major BELL: Not on the railway; we have no reserve for that. We have only fire and marine reserves.

Mr. HENRY: Yes, that is all.

Mr. HARRIS: Do you know if the transportation companies or carriers have a merit-rating system which is similar to that in vogue in industrial companies? Do you receive that consideration under the Workmen's Compensation Act of the Province of Ontario?

Mr. HENRY: I could not answer that offhand.

Mr. HARRIS: You might bear that in mind and see what is the case.

Mr. HENRY: We have a system of our own.

Mr. HARRIS: Do you receive any refunds, for instance, from the Province of Ontario, for your merit-rate?

Mr. HENRY: That I could not answer.

Mr. HARRIS: Do you care to make a statement with regard to the increased cost this year over last year?

Mr. HENRY: I can give you the exact details of that.

Mr. HARRIS: Perhaps you will tell us.

Mr. HENRY: That increase is \$193,000. That included in 1923 \$40,000 paid to J. Cosgrave for injuries received at Big Valley, Alberta; \$24,000 administration expenses, Manitoba and British Columbia Workmen's Compensation Boards for years 1921 and 1922; \$15,000 claim paid estate William C. Evert, locomotive engineer, killed February 10, 1923; \$12,200 on account of wreck, Knights Templar special of Grand Trunk Western on June 5, 1923; \$15,000 on account Firemen W. H. Johnston, injured March 19, 1923, at Island Pond. Those are the principal large items entering into that.

The CHAIRMAN: We are still on page 21, gentlemen.

Mr. HENRY: I can make a short statement now in regard to motor coaches, if the committee desires.

The CHAIRMAN: I suppose we may as well have that now.

Mr. HENRY: The result of our experience during the last three or four years leads us to the conclusion that for cars required to carry over 40 passengers, the electric storage battery car is the most suitable and reliable of any of those used to date, but we are now investigating the possibilities of the so-called Diesel electric car, which may prove to be even better and which will, of course, be adopted for future use if this conclusion is reached. Where smaller units are required, cars driven by a gasoline engine are fairly satisfactory, and are easily the cheapest to operate, but the field for this particular class of equipment appears to be more or less limited on account of its light weight. We have effected some very substantial economies through the use of motor coaches in place of steam trains on branch lines and on light main lines, but there would

be a small proportion of the units that could be used to economic advantage. We have now on order for spring delivery—some of these have already been received—six battery cars with a carrying capacity of about 50 people, costing slightly over \$40,000 apiece. We think we ought to increase the number of these cars.

The CHAIRMAN: Do you buy these only as you know whether you are going to need them?

Mr. HENRY: As funds can be provided. We have to distribute our estimate over as large a time as possible. That is really the governing factor. That is, generally speaking, what our experience has been.

Mr. GAUVREAU: Mr. Chairman, I have not been here for the last meetings. May I put a question before I leave?

The CHAIRMAN: Certainly.

Mr. GAUVREAU: It is about the pension fund for the employees. I see here on page 11 "A pension scheme for the whole system is under consideration." I would like to know if there is any prospect of this scheme being put into effect soon.

Mr. HENRY: There was a committee of officers appointed a year ago to investigate the various possible pension schemes.

Mr. GAUVREAU: For the whole system?

Mr. HENRY: For the whole system. That committee has put in a report upon it, and the management now has it under consideration. The amount of money involved in it is quite large, as you can appreciate.

Mr. GAUVREAU: If the Board arrives at any conclusion, will this be submitted to the employees and also to Parliament?

Mr. HENRY: As a matter of fact the employees themselves have already been consulted.

Mr. GAUVREAU: I know where I come from we are anxious to know when that is going to come into effect.

Major BELL: I can probably explain that. There was a committee appointed which went into the whole matter, and they were in consultation with the employees almost continuously. A Bill was drafted to submit to the government and regulations were drawn up, and it came up before the sub-committee of the Board of Directors. After we had gone into it we found that the information obtained was not sufficient to inform Parliament as to what the cost would be. Going roughly into the scheme it looked as if the cost were going to be enormous, and that the scheme would have to be modified. It was referred back to the committee and an actuary has been engaged who is going into the matter very thoroughly, and then they will consult with the employees again, and when the scheme is in shape it will be submitted to the Board, and we hope to have the pension scheme ready for submission to Parliament next session. It cannot possibly be done this year.

Mr. MACKINNON: Item 401. There is an increase on that of \$100,000. What is the explanation of that?

Mr. HENRY: That is due entirely to increased business. Last year we handled 8,000,000 more tons than in the previous year. That required more trainmen, and generally more employees of that character.

The CHAIRMAN: I suppose that would be the reason for the increases that you see, pretty generally all along the line.

Mr. HENRY: You could say that pretty well with regard to the whole transportation group. Transportation varies fairly well with traffic.

Mr. STEWART: Changes in wages do not materially enter into this?

Mr. HENRY: I do not think there were any changes last year.

APPENDIX No. 5

The CHAIRMAN: No increases?

Mr. HENRY: I do not think there were any changes at all. There were some changes in July, 1923, affecting the shop crafts.

The CHAIRMAN: Item 418, Mr. Henry, "Lost and Damaged Freight." I note there is a reduction, a very considerable reduction there.

Mr. HENRY: Yes, our percentage there was—

The CHAIRMAN: Is it the result of greater care, or were you just fortunate?

Mr. HENRY: The result of greater care, I should think. We specialize in that. I think we had the lowest record in 1923 of any railroad, or at least as low as any other.

The CHAIRMAN: "Injuries to persons" was greater?

Mr. HENRY: Yes.

Mr. STORK: Were you going too fast, or what?

Mr. STEWART: You say you specialize in the matter of damage to stock and so on?

Mr. HENRY: We are following it up very closely to see that it is kept down.

Mr. HARRIS: You follow it both ways; you see that you do not overpay the man who runs the train, and you see you do not have too much damage?

Mr. HENRY: Yes.

Mr. HARRIS: In which direction is your effort most successful?

Mr. HENRY: We have meetings from time to time with the various men connected with the handling of freight indicating to them just what precautions ought to be taken, and what the failure to follow these precautions results in.

Mr. HARRIS: These meetings are purely to avoid damage to goods, rather than to avoid payment for that damage?

Mr. HENRY: Absolutely, on the theory that it is far better to prevent it.

The CHAIRMAN: Your efforts at prevention are apparently, so far as crossings are concerned, not in the direction of greater cost in maintaining protection. That is item 405, which shows a reduction in the cost of crossing protection as compared with the year before.

Mr. HENRY: I think perhaps that was due to the elimination of some crossings.

Mr. BROWN: I think in some cases we have reduced expenses in that regard by the introduction of wigwag signals, by order of the Board of Railway Commissioners, and the replacement of watchmen by gates.

The CHAIRMAN: If we have finished with page 21, we will go on with page 22.

Mr. HARRIS: Take item 441. Does this include the salaries and wages paid to porters?

Mr. COOPER: Yes, salaries for porters and dining-car attendants.

Mr. HARRIS: What is the policy of the Canadian National Railway lines with regard to having coloured help in the dining service and in the porter and parlour car service?

Mr. HENRY: I am afraid I cannot answer that, Mr. Harris.

Major BELL: Practically all the coloured help on our own cars are citizens of the country. On the Grand Trunk we run Pullman service, and that is entirely manned by coloured help, except for some of the conductors.

Mr. HARRIS: Have you any particular policy with regard to the parlour car service? Does the same answer apply?

14-15 GEORGE V, A. 1924

Major BELL: In the parlour car service in our own railway, I think you will find white men, generally speaking.

Mr. HARRIS: I appreciate that it is rather a ticklish question, but will you express an opinion as to what your policy is going to be with regard to keeping on coloured help in your dining car service throughout the whole system?

Major BELL: We have very few in the dining car service; I think they are practically all white men. It is only the porters who are coloured, and as a rule it is very hard to get any one but coloured help for that.

The CHAIRMAN: With regard to hotels and restaurants, have these been profitable during the last year?

Mr. HENRY: There was a statement brought down in the House about that, I think.

The CHAIRMAN: Has the Chateau Laurier been profitable?

Major BELL: It had a profit over operating expenses, but it did not meet its fixed charges. The biggest loss was in connection with the Fort Garry at Winnipeg.

Mr. HENRY: The Chateau Laurier had a surplus of \$3,137 over operating expenses.

The CHAIRMAN: What were the fixed charges?

Mr. HENRY: About \$2,500,000, I think.

The CHAIRMAN: The fixed charges?

Mr. HENRY: No, that is the capital cost. 4½ per cent on that would be the fixed charge, about \$100,000.

The CHAIRMAN: What is the policy of these hotels? What is the system, high prices with the expectation of making expenses, or low prices with the expectation of doing more business and making a profit that way?

Mr. HENRY: You cannot charge any more than the traffic will bear, you know.

Major BELL: Generally speaking, take the Chateau, if you could add 100 or 150 rooms to the Chateau, the overhead and management would be practically nothing extra, and the Chateau would be put on a paying basis, if you had the traffic. It is all a question of traffic. For a place the size of Ottawa, a building like the Chateau is a pretty expensive proposition. You have not the traffic for it.

The CHAIRMAN: Might I ask this. Is it true that so far as lodgings are concerned, the rental of rooms, the Chateau does a successful business?

Major BELL: I think so.

The CHAIRMAN: Is it relatively true of the dining-room service?

Major BELL: I think so.

The CHAIRMAN: There is a big expense in keeping up that service?

Major BELL: Yes.

The CHAIRMAN: And have they a commensurate service—.

Major BELL: They must lose money on it when they do not meet the fixed charges.

The CHAIRMAN: I am trying to get at whether we are losing it by lack of patronage of the rooms or of the dining service.

Major BELL: They both work together. If you had the rooms in the Chateau filled every day and every night, in addition to the extra people who came in for their meals, I think the Chateau would pay the fixed charges, but you have your ups and downs. Then there are a great many who take rooms

APPENDIX No. 5

there, and probably also have a very light breakfast, but go out to meals either to friends, or for the purpose of saving expenses.

Mr. STEWART: The Chateau could not pay on the room accommodation alone?

Major BELL: No. .

Mr. MILNE: I do not know anything about the hotels in the city, but on one occasion a few years ago I was with a large delegation of probably 60 or 75 men. They went to the Fort Garry and took rooms. The first morning they nearly all went down for breakfast, and after they had their breakfast just out in the corridor I heard them saying, "No more breakfasts for me at the Fort Garry". After that, immediately the meeting was concluded, they would stream out and get their meals elsewhere. The question that came to my mind was whether it would not be possible to make a rate—I do not mean an exceptionally low rate—but strike a kind of happy medium. If a man goes in for breakfast and has to pay \$1.50 or \$2 he cannot keep it up, unless he is wealthy. The average man would not mind paying a fair price, but the prices seem unfair.

Major BELL: They tried to meet that at the Chateau by a business man's lunch at \$1 I think; they gave a very fair lunch for \$1, and it is not patronized.

The CHAIRMAN: You think people like to pay more?

Major BELL: I think some people when travelling do not object to it.

Mr. STORK: Take it right in the House of Commons, you cannot get a better meal anywhere in Canada than we get in the Parliamentary dining-room. The service is excellent, and yet the committee in charge of the dining-room was compelled to send out a letter urging members to patronize the dining-room and discontinue the use of the cafeteria.

Major BELL: You pay no rent, no light, no heat, and just the bare cost of your food there. In connection with the dining-car service and buffet service. I think it is a mistake all over the country, and it is something that cannot be remedied by any one railway. I do not think we have any business to have a dining-car service on any dining-car in the country. You cannot carry it and make money, because the expense is so enormous. I know something about that, because years ago when we changed over on the Intercolonial, we had to change over to the a la carte on account of the criticism of the public. That was put in, and I went out in connection with the installing of the accounting system. The natural waste that you cannot get away from, and the expense of a dining-car is enormous. That was met in the United States during the war by an order of the United States administration; they put on a regular meal on the cars, and no railway was allowed to serve an a la carte meal. Of course it was all under one administration, and it cut down the expenses enormously. Some of these things will have to be regulated, not by the railway itself, but by law. Personally, I think it would be a good thing if, on the railways, the a la carte service was cut out entirely, and the railways were forced to go back to the old system of giving a set dinner; if that were done, they could give a very much better meal for about half the money. The same thing obtains in connection with competition of trains. One railway puts on a train, and the other railway is bound to put on one to meet that competition. The result is that service is given which is not required, and naturally you have to pay for it in the price of your tickets.

The CHAIRMAN: Gentlemen, it is now one o'clock so perhaps we had better adjourn until to-morrow morning.

The committee adjourned.

14-15 GEORGE V, A. 1924

The following statement was handed in by Sir Henry Drayton in accordance with his agreement so to do and as referred to at page 164 of these proceedings:—

Expenses General Detail

Items 201-279.

	1923	1922	No Reserves	1923	1922
May.....	3,813,679	3,732,001		15,934,454	14,621,566
June.....	4,543,099	4,699,995		20,477,553	19,322,562
July.....	4,892,177	4,688,295		25,369,731	24,009,857
Aug.....	4,973,255	5,094,843		30,342,986	29,104,701
Sept.....	4,492,530	4,743,569		34,835,516	33,848,271
Oct.....	4,616,260	4,649,330		39,451,777	38,497,601
Nov.....	2,853,806	3,881,926		42,310,583	42,379,257
Dec.....	2,471,192	3,244,008		44,781,775	45,623,536
Items 301-337 (Reserve 801,000 altogether).					
May.....	4,196,837	4,087,769		21,876,094	21,197,976
June.....	4,455,063	4,082,246		26,331,158	25,280,223
July.....	4,032,661	4,145,840		30,363,820	29,426,064
Aug.....	4,054,988	4,105,590	Reserve	34,418,808	33,531,655
Sept.....	4,585,873	4,666,352	250,000	39,004,682	38,198,007
Oct.....	4,388,417	5,028,346	490,605	43,393,100	43,226,354
Nov.....	4,570,413	5,563,976	1,364,394	47,963,514	48,790,330
Dec.....	4,212,806	7,370,369	2,385,000	52,176,320	56,160,700
			\$4,490		

COMMITTEE ROOM 231,

HOUSE OF COMMONS,

FRIDAY, June 27, 1924.

The Select Standing Committee on National Railways and Shipping met at 10.30 o'clock a.m., Mr. W. D. Euler, M.P., Chairman, presiding.

The CHAIRMAN: Gentlemen, we have a quorum. Yesterday there were some notes left over, and I think some statements were to be filed today. Have you those, Mr. Henry?

Mr. HENRY: Not the statement regarding the amount paid in on account of injuries. We had to send to the different regions to get that.

The CHAIRMAN: When will you have that?

Mr. HENRY: I won't have them before Monday. Mr. Harris was asking about that.

Mr. HARRIS: Which statement was that.

Mr. HENRY: The statement of the amount paid to the various Compensation Boards on account of injuries.

Mr. HARRIS: You propose to have it?

Mr. HENRY: Yes.

The CHAIRMAN: Mr. Harris, I think you wanted some sort of a statement with regard to the immigration activities of the railway. Mr. Robb is here to give that.

W. D. ROBB called and examined.

By the Chairman:

Q. What is your title?—A. Vice President the Canadian National Railways.
[Mr. W. D. Robb.]

APPENDIX No. 5

The CHAIRMAN: Mr. Harris, do you wish to ask Mr. Robb some questions?

Mr. HARRIS: I believe the question was raised by Mr. Humphries or Mr. Stewart—

Mr. BELL: The question of immigration came up, and also the question of the radio service. They are both in Mr. Robb's department.

Mr. KYTE: What does that come under—a special charge?

Mr. HARRIS: Item 329.

The CHAIRMAN: On page 20.

Mr. KYTE: "Miscellaneous Equipment".

By the Chairman:

Q. Mr. Robb, are you prepared to make any statement with regard to that?

By Mr. Harris:

Q. Will you make a general statement, Mr. Robb, with regard to the policy of the Canadian National Railways as to the equipment of trains and different stations with radio equipment, giving an idea of what general system is going to be incorporated in the books of the company, as it were in order that we may identify the expenditures from time to time—that is, capital expenditures—and repairs and maintenance expenditures on that particular equipment? At the same time if you could cover a general idea upon the installation of these services, as briefly as possible, that will be all I will ask you.—A. We have established broadcasting stations in Montreal, Ottawa, Toronto, Winnipeg, Regina, Calgary and Edmonton. The broadcasting equipments are rented with the exception of that at Ottawa, where we established our own station, and at each concert a talk, limited to about ten minutes duration, is given on some topic generally by an officer of the Company and addressed to employees and the public. These short speeches are so worded as to bring the Canadian National Railways into prominence and keep them in the public mind; in cases where executive officers speak, the remarks are, as a rule, addressed principally to employees. Radio receiving sets have been installed on 13 of our observation cars in transcontinental service, each being in charge of an operator or attendant who takes care of the receiving apparatus and operates it to suit the wishes of the passengers. We have put receiving sets in hotels, the Chateau Laurier, Fort Garry, Algonquin Park, Jasper Park, and will probably put it in others.

Of course, we receive letters from the public and I have a file of them here, but I do not suppose you want to be bothered with them. They show the benefits which they are receiving from the broadcasting concerts. We also receive these from the public throughout the United States. For instance, I will read one letter from R. O. Kenney, as follows:

"We had a very pleasant experience last evening. Mr. Stanley Carkner, of Kenmore, Ontario, owner of a small mill at Latchford, and an ardent radio fan, called down here to purchase three tickets to Latchford. He stated that up to the present he had always favoured our opposition when shipping men. Now however, he was so impressed with the initiative of the National lines and the excellence of the programme of CKCH, he had decided to give our road a trial. This means 15 tickets, Ottawa to Latchford, this week, and no doubt other business will follow.

"Mr. Carkner was very enthusiastic. He states the people in Northern Ontario are all tickled with the Canadian National broadcasting station, and wish to congratulate the artists.

[Mr. W. D. Robb.]

"This is the first instance brought to our attention of the effectiveness of your station as an advertising medium, and you are no doubt pleased to know of the excellent reception of your programmes in the north. Might I suggest you drop this gentleman a few lines or mention his name during your next broadcast?"

This is one of the thousands of letters. Take one concert, for instance; we received nineteen replies from Ontario, one from Nova Scotia, two from New Brunswick—this was a concert given at Ottawa. From the United States we received five replies from North Carolina, two from Maryland, four from Arkansas, four from Delaware, ten from Wisconsin, six from Connecticut, forty-eight from Pennsylvania, thirty-six from New Jersey, fifty-six from Massachusetts, seventy-three from New York, four from Michigan, two from Indiana, eight from Maine, twenty-one from Rhode Island, one from Minnesota, one from West Virginia, twenty-two from Ohio, seven from New Hampshire, four from Vermont, three from Kentucky, three from Illinois, one from the District of Columbia, one from Iowa, and one from Virginia. That is only a sample of what we are getting from all over the United States with respect to our broadcasting.

Now, up to the present time the cost of our broadcasting—

By the Chairman:

Q. You are not broadcasting?—A. Yes.

Q. Not from the trains?—A. No. We are receiving on the trains. As Mr. Graham has given in the House the cost of broadcasting, I suppose what I can do is to give you the expenditures up to the present.

By Mr. Jelliff:

Q. Will you give us the cost of installation?

The CHAIRMAN: Will the total be sufficient?

Mr. JELLIFF: Yes.

The CHAIRMAN: Just the total, Mr. Robb.

The WITNESS: "The estimated cost of operation of the Radio Department for the fiscal year ending March 31, 1925, including salaries, travelling expenses, equipment, and so forth, is approximately \$90,000." That is roughly about what it will be.

Mr. HARRIS: In making up your statement, Mr. Robb, how will you identify these different items? For instance, under the heading "Maintenance of Equipment" we will find a portion of this, and under "Other Supplies and Expenses" there will be a portion. Is it possible to earmark these so we can tell?

Mr. COOPER: We intend to do that; we said yesterday that would be done.

By Mr. Harris:

Q. Is it the policy of the Railway Company to expand this to each station agent along the line?—A. Yes and no. Yes, we have made arrangements with the dealers to get a reduction from the regular price. We have taken that up with our employees and they are placing orders with these people. Of course, we do not put the radio into our employees' homes, or pay for it. Each employee pays for his own.

Q. Does he pay for it or do you guarantee the account and collect it afterwards?—A. No, he pays for it. (To Mr. Swift) How is that, Mr. Swift?

Mr. SWIFT: Yes, sir; we are not involved in it at all, but we go to a dealer and say "You will have so many of these, and you want to give us a reduction," which they are doing. We have put this equipment in the Y.M.C.A.'s.

[Mr. W. D. Robb.]

APPENDIX No. 5

The WITNESS: We pay half the cost and assist the Y.M.C.A.'s in putting these in, because in places like Capreol and Mimico, where there are a great many enginemen and trainmen lying overnight—

By Major Bell:

Q. The railway Y.M.C.A.'s?—A. Yes, we feel it is useful to get the radios in there, so as to keep in touch with the men.

Mr. KYTE: What equipment is used?

Mr. SWIFT: It varies. We are not using anything especially. We are trying out new things all the time.

By Mr. Harris:

Q. No equipment, then, is being put in the stations, for instance, where a station agent finds himself living in the station itself?—A. No, not unless he purchases it himself, and a large number of employees have purchased these radios, because we have letters from them commenting on the concerts and so on.

Q. I understand that is the extent of the expansion in this direction, and you are not expanding it any further?—A. No.

By Mr. Kyte:

Q. Are the trains of any other company, outside of the Canadian National Railway, so equipped?—A. I think the Pennsylvania is fitting up now, and perhaps some other railways, but I do not know what others.

Q. But the Canadian National was the first?—A. Yes, we were the first to fit up our trains for the public, and when the Pennsylvania heard of what we were doing they sent their representative over, and we gave them all our data, and they are fitting up their trains and also broadcasting to their employees the same as we are doing. Some of the other roads are doing the same thing, I think.

By the Chairman:

Q. From where do you broadcast?—A. Montreal, Ottawa, Toronto, Winnipeg, Calgary, Regina, and Edmonton.

Q. That covers the whole system?—A. Yes.

By Mr. Jelliff:

Q. You are going to put one in on the west coast?—A. Yes, one at Vancouver, and also one at Moncton.

The CHAIRMAN: Any further questions on the radio?

Mr. JELLIFF: I would like to say that on my humble farm I have a Swedish boy who has installed a receiving set, and on a number of occasions I have been able to hear addresses by Sir Henry Thornton and other officers of the company.

The CHAIRMAN: Mr. Stewart, I think you wanted certain information with regard to the immigration activities of the railway, and I think Mr. Robb can give you that.

Mr. STEWART: The question I asked yesterday was with regard to the co-operation that existed, or was to exist, between the Immigration Department, and the Department of Immigration of the Canadian National. Perhaps a general statement along that line will cover it more quickly.

The WITNESS: The Colonization Department of the Canadian National Railways last year was practically a year of organization. I did not take hold of this Department until about the month of March, and then we organized the Department out here, and I placed Mr. Price-Green at the head of this work in Canada, in about August. It took some time for me to familiarize myself with

[Mr. W. D. Robb.]

the situation, and then in October I appointed the Deputy Minister of Immigration, Mr.—

Major BELL: Egan?

The WITNESS: No, Mr. Black, or rather Dr. W. J. Black—as our European representative.

By Mr. Harris:

Q. Headquarters where?—A. In London. You see, previous to that we had no colonization organization in Europe at all, excepting, I think, the Traffic people under Mr. Phillips had one or two men, but it was in a very small way, so we found it was necessary, if we were going to make progress, to establish our agency in Europe, similar to what our competitors had. That is under organization now at the present time, with Dr. Black as European Manager for Colonization.

By the Chairman:

Q. Mr. Robb, are your efforts directed toward getting people to emigrate to Canada, or are your activities directed more toward getting business, by way of transportation from those who are coming to Canada—trying to locate these and get their business?—A. Both. The Colonization Department is working with the Traffic people there. They are practically in the same building, and we are endeavouring to get the settlers, and the Traffic people look after the revenue end of it from a passenger standpoint.

By Mr. Stewart:

Q. Mr. Robb, will you enlarge a little on your colonization scheme? Is it particularly on colonization, and not in the sense of trying to get transportation—

The WITNESS: I found shortly after I took charge that there were three things we required to do, first to get the immigrants; next to get the right kind of immigrant, and thirdly, to get him onto the land and have him satisfied and contented, because we found a contented settler does more towards bringing out others than thousands of dollars spent on propaganda, and a discontented settler will do more harm than all the propaganda you can put out. Those were the three things, and we had formed our organization out here by agricultural agents in the west, and by the people, that when the settlers came out, whom we induced to come out, they could advise with them and help them. The Soldiers' Land Settlement Board does the same, and advises them in the buying of their horses, cattle and implements, and so on. That is one thing. We found there was a very strong feeling in England that they required group settlement. A great many complaints had gone back from this side that men were coming out by themselves, and were isolated, and were becoming discouraged and abandoning the farms. Dr. Black established with the Empire Settlement Board in England a group settlement, and that is what we are working on now, so that groups will come out consisting of about 20 families, and we will settle them all in one district—

By Mr. Stewart:

Q. That is purely British stock?—A. Yes.

Q. Have you any thought of carrying that further?—A. Not at the present time.

Q. I hope you will not in the future?—A. We have not much encouragement from the Scandinavian countries as yet, but we are working on that now; we are working slowly with respect to our agencies outside of the British Isles.

[Mr. W. D. Robb.]

APPENDIX No. 5

By Mr. Jelliff:

Q. They will not allow you to work in Sweden?—A. They will not allow us to work in Sweden, Norway, Denmark and Holland. They do not want their people to emigrate; they want them to stay there; and they will not allow any propaganda, or any solicitation. You can establish an office if you want to so that people who are determined to leave the country can come to you for information and you will give them the information that they require.

By Mr. Stewart:

Q. In that respect, Mr. Robb, have you any information yourself as to the attractions you can hold out to these people in other countries, outside of British stock? We all know that outside of the British stock, the best settlers we can get are the Northern Europeans. What attractions can you hold out to them as compared with the inducements held out to get them to remain in their own country?—A. Mr. Price-Green, perhaps you had better answer that question.

Mr. PRICE-GREEN: As a matter of fact we have a great deal of cheap land along our lines in Northern Ontario and Northern Quebec, particularly suitable for Scandinavians. The land can be acquired for 60 cents an acre in Quebec and 50 cents in Ontario. That is one of the inducements. Farther in the west, at the present time, we have got excellent land which we are selling at a very low price which is particularly suitable for mixed farming, and that inducement is being offered.

Mr. STEWART: I was thinking of something a little broader than just simply the inducement of cheap land. I was thinking of what actual economic conditions there were in their own country, or their own particular conditions in that country, which would bring them to this country. I take it for granted you have organized propaganda to put before them. What inducements are you holding out? Are you giving them the actual truth?

The WITNESS: Yes, we are giving them the actual truth.

Mr. PRICE-GREEN: Perhaps I might read this for the benefit of the Committee:—

“The principles of policy governing immigration which have been adopted by the Colonization and Development Department of the Canadian National Railways have been elaborated expressly to influence the settlement of the largest possible number of people of productive capacity capable of being absorbed and assimilated by the country, to attract foreign capital to the Dominion for the exploitation of its vast natural resources and to foster settlement and agriculture in the vicinity of industrial activity; to promote the land settlement of new Canadians under conditions offering the maximum possibilities for success with full and unrestricted enjoyment of such social and religious institutions as will assure individual happiness and contentment; to encourage improved and diversified farming for the increase of crop, livestock and dairy production in accordance with varying demands and fluctuating prospects, thus widening the field to bring satisfactory financial returns to the farmer; to encourage the settlement from Great Britain of young people of suitable type and character, and by distributing them among congenial Canadian homes, provide them with facilities to acquire such practical instruction as will enable them to embark subsequently upon individual farming under the most favourable auspices and also to enable them to acquire such knowledge of the country, its laws, institutions and traditions as shall ensure their development into first-class constructive citizens with full understanding of their national responsibilities, to assist in the

[Mr. W. D. Robb.]

discovery of suitable sources of remunerative employment for those physically fit and anxious to work, more especially upon the land."

The CHAIRMAN: Any further questions, Mr. Stewart?

By Mr. Kyte:

Q. What has been the result of these activities during the last year, Mr. Robb?—A. Of course we do not get results until some time after, and, as I said, we were a new organization, and while we have had some results we have not had those which we feel we will get next year. Of course, you have the result of increased immigration which we have had this year, and we have put more people on the land. For instance, last year we sold 61,000 acres of our own land to settlers.

Q. Your organization works independently of the established organizations that have been put forward by the Immigration Department?—A. Yes, but we work very closely with the Immigration Department.

Q. As regards the number of immigrants coming into Canada last year; You have not "ear-marked" them, so to speak, those who have been brought in as a result of your activities, and those as a result of the activities of others?—A. That is a pretty difficult thing to do. We know the number we bring in on account of their travelling over our railroad, and coming on the steamships with which we are allied.

By Mr. Stewart:

Q. You do not claim that you transport all the immigrants which have been coming in owing to your policy of expansion in the Old Country?—A. No. That all who travel on our railway are due to our activities? No, we cannot say that.

By Mr. Kyte:

Q. In how many countries of Europe have you established agencies of the Canadian National Railways?—A. We have not established any in London yet. We have an agent in Copenhagen. Our European Manager was over looking over the situation in May, seeing what could be done with respect to obtaining immigrants from these countries.

By the Chairman:

Q. Will your central agency remain in London?—A. Yes.

Q. Have you any sub agencies in the British Isles?—A. Yes, we have one in Glasgow, and will establish one, I think, in Dublin, and will establish them in several other places; I do not know them all.

By Mr. Stewart:

Q. It has been suggested in past conferences that the agency in Paris would probably be opened, and that it would be a very central point, and a very effective point from which to reach the best immigrants from Europe—A. There is no question about that—

Q. Just a minute. We were speaking a moment ago with regard to the immigrants, and I think your report of the policy as stated here agreed with my own opinion in that regard, that the Northern European is the preferable immigrant at the present time, outside of British stock. In your opinion, would an office in Paris be effective in reaching the Scandinavians, or any inhabitants of Northern Europe?—A. I would not say so much about the Scandinavians, or any particular country, but I will say this; that Paris is really the hub of Europe, and the whole world, practically, goes to Paris, and I believe it is necessary we should have an agent both for traffic and colonization in Paris. It is a well known fact that the French themselves are not an emigrating class

[Mr. W. D. Robb.]

APPENDIX No. 5

of people, and the French Government wants to keep them in France, but the whole world goes to Paris, and if we want the Canadian National Railways known in Europe, I think Paris is one of the places where we can put it permanently before the public.

Q. That would be more in a general advertising way, than to reach any specific country?—A. Probably so, yes.

Q. I think, if I understand you correctly, you stated there was some difficulty in carrying on the immigration policy you would like, in some of these countries?—A. Yes. It is a well known fact that the Scandinavian immigrants make very fine settlers, and so do those from Norway, Sweden, Denmark and Holland. A great many emigrants are coming from there, and will continue to come from these countries, but their governments discourage emigration and do not want their people to leave the country, and they will not give you any encouragement to get immigrants, notwithstanding the fact that they are overpopulated. You can put an office there—an agency—and they will not interfere. You can use that office for the purpose of giving the people who want to come to this country information, but they will not let you put on any propaganda, or anything in the way of inducing these people to leave the country, like you can do in Great Britain.

Q. What would your opinion be of the class of people you would likely get from these countries?—A. A splendid class of people.

Q. People who are dissatisfied with the possibilities there and are looking for broader fields?—A. Yes. Dr. Black has said that "Notwithstanding these conditions, I have found there is a large number of people wanting to come to Canada from these countries."

Sir HENRY THORNTON: One of the factors, Mr. Stewart, that causes some of these governments, particularly those newly created like Czecho-Slovakia, the immigrants from which are able-bodied men, are still under the shadow of war and the military requirements still more or less hang over them. As a matter of national protection they do not want to see their young men, say, men up to the age of 45 or so, leave the country, lest subsequently something develops which would necessitate their service in the Army. I think that while that is not the entire factor, it plays an important part. Don't you, Mr. Robb?

The WITNESS: Yes.

Sir HENRY THORNTON: Their reluctance to see the young men who might be available for military service go out of the country is evident, and perhaps natural. I think that is a thing which in time will be more settled, and tranquillity become more assured.

Mr. HARRIS: I intimated I would like to have a skeleton made of this policy, and the possibilities of an industrial and immigration bureau. Could Mr. Robb give us the portion which belongs to the industrial and which to immigration? At the same time I gather that Dr. Black was perhaps more in charge of the overseas work, and Mr. Price-Green of the work on this side. Further, is all the staff of Mr. Price-Green included in this item; what is the staff? Is all the staff of Dr. Black included in this item? What is his staff? And what is the policy of the Canadian National Railways with regard to the increasing of these staffs—

The CHAIRMAN: You had better ask one question at a time.

The WITNESS: What is the question—the first question?

By Mr. Harris:

Q. The first question is what portion is industrial and what portion immigration?

[Mr. W. D. Robb.]

Mr. KYTE: What item is that?

Mr. HARRIS: 356, the one under discussion.

The WITNESS: There is \$160,000 for immigration and \$145,000 for industrial.

By Mr. Harris:

Q. Give me an outline of the industrial organization you have worked up—
A. That is under the Traffic Department.

Mr. PRICE-GREEN: It has since been split. (To Mr. Robb) When your organization was formed you took over what existed formerly as "Industrial and Immigration," but a certain portion of that work has been taken over by the "Traffic," everything dealing with sidings and the working up of industries along the line, leaving our department, which was then called the "Colonization and Development Department" to deal more particularly with natural resources and the giving out of information to induce development of natural resources.

The CHAIRMAN: Any further questions, Mr. Harris?

Mr. HARRIS: I do not get this very clearly. What portion of this is industrial? I understand now from Mr. Price-Green that considerable of the industrial work is being done by some other department.

The WITNESS: Of course, there is the industrial development of which Mr. Fitzsimons is the head, in connection with industry throughout the whole system. There is no connection with the Colonization Department. For instance, a mill wants a siding put in, or there is a new industry to be established—that would all come under Mr. Fitzsimons.

By Mr. Harris:

Q. Then the policy is to take separately these particular features, and put them into different units. Mr. Price-Green's activities are more particularly with respect to the development of natural resources on property owned or contiguous to your railway lines and immigration. Is that right?—A. Yes.

Q. What staff has Mr. Price-Green?

Mr. PRICE-GREEN: At the end of 1923, including the offices in the United States which come under the same category, there were 41 men.

By Mr. Harris:

Q. What portion of that staff are looking after the development of the natural resources, and what portion of the staff are looking after immigration entirely? Roughly?—A. Mr. Price-Green, can you answer that?

Mr. PRICE-GREEN: The resources work is mainly conducted by an officer in Canada. At Montreal we carry on an information bureau. At Winnipeg it is more a matter of giving out information on land, and the man at Edmonton gives out information and follows up the inquiries on development, as well as colonization.

The CHAIRMAN: How many men are employed in that way?

Mr. PRICE-GREEN: In a dual capacity, there are 22 men, including officers, clerks, stenographers and so on.

Mr. HARRIS: Just before I forget it, where has this staff gone to now? Under what department is this staff that looks after the establishing of industries—

Mr. PRICE-GREEN: That is in the Traffic Department in Montreal.

Mr. HENRY: The Commissioner of Industries.

Mr. HARRIS: What is the item number?

Mr. HENRY: That is in the same item.

Mr. HARRIS: I understood from Mr. Price-Green that was changed.

Mr. HENRY: A portion of it.

[Mr. W. D. Robb.]

APPENDIX No. 5

Mr. HARRIS: Where would it be now?

Mr. HENRY: Under the same item of account.

Mr. HARRIS: It would be for this year, but for next year?

Mr. COOPER: There will be a separation made between industrial and immigration.

Mr. HARRIS: Item 356 will be divided?

Mr. COOPER: Yes.

By Mr. Harris:

Q. Mr. Robb, there is a considerable increase in the cost of this service. Would the present policy you have in mind lead you to say that you will experience another increase next year?—A. There will be an increase this year. Last year we had not got fairly started.

Q. Would you give us an outline of what portion of Dr. Black's time, staff, and expenses are devoted to immigration work?—A. Dr. Black's time and staff is not being devoted to industrial to any large extent; it is practically all immigration.

Q. I gathered from you just now that the central agency over which Dr. Black will preside will remain in London?—A. That is right.

Q. How much of a staff has Dr. Black?—A. Dr. Black at the present time has seven of a staff.

Q. That is, of an office staff?—A. Of an office staff. He has a colonization agent, and lecturers and stenographers and clerks, and so on. As that develops, there will be some increases.

Q. Can you tell this morning what portion of this expense would be chargeable to Dr. Black?—A. Well, it practically all comes—you mean that expense you gave?

Q. Yes. You gave us \$160,000, or was it \$145,000?

Mr. HENRY: \$160,000.

The WITNESS: I cannot give you that offhand. It was \$160,000 for colonization, but that takes in all colonization.

By Mr. Harris:

Q. Over and above the seven which Dr. Black has in his office in London, or wherever it is going to be, what other expense has he? Has he anybody also travelling over Northern Europe?—A. No, sir.

Q. Nobody on the road?—A. No, sir, excepting the staff he has there.

Q. What is the policy you have in mind for the extension of this work, through London, England—through Dr. Black's department?—A. The intention is to establish an agency wherever we feel we can get a sufficient number of immigrants to warrant us in doing that, and that is what Dr. Black is studying at the present time, and he will let me know and make a recommendation of what he thinks we ought to do.

Q. I suppose if he finds them moving in a certain part of Europe, which appears to all intents and purposes to be very satisfactory to you, under your policy you will establish an agency there and push the immigration from that particular point?—A. That is what will probably be done.

Q. You are quite satisfied, Mr. Robb, that you would like to keep the central agency in London?—A. Yes, we would like to keep the central agency in London. I believe that is the place to keep it.

Q. You believe that is the place to keep it?—A. I believe that is the place to keep it.

Q. If Dr. Black is the director, he would probably remain in London to direct?—A. Yes.

Q. He would be in London practically all the time?—A. Yes.

[Mr. W. D. Robb.]

Q. About how much do you think this item would increase during the next year? Would it jump another 50 per cent like last year? I think last year it was 60 per cent or 70 per cent.—A. I cannot say offhand what it would increase; it would increase some, but I do not think as much as 50 per cent.

Q. You have an idea that Dr. Black's organization is becoming fairly complete now?—A. Yes; it is fairly complete in the British Isles, but it is not complete in Europe.

Q. Do you think it is likely to increase, say, by 100 per cent?—A. No, I don't think so this year—or anything like that.

Mr. HARRIS: That is all, Mr. Chairman.

By Mr. Kyte:

Q. Mr. Robb, you spoke about the policy of the company assisting in developing natural industries along your line of railways. How do you encourage this development? In what way does your company assist?—A. You mean our industrial development? Our industrial agent moves throughout the country, and is in touch with all these different developments, and he meets the people and knows the people who have in mind establishing industries and gets in touch with them, and then sets forth the advantages that these industries will have, and the advantages the railway will give, the sidings that will be put in, and everything done to help these industries to make a success, if they establish along our railway.

Q. This assistance does not go so far as to include special freight rates?—A. No, sir, I don't think so.

Q. Well now, with regard to the tourist business in Eastern Canada. Is that receiving the attention of the company—the development of the tourist business?—A. Yes, that is receiving attention. The tourist business is receiving the full work of the Traffic Department. One of the special features of our broadcasting this spring to the whole country was addresses given by officers of the Traffic Department at different times on the advantages of travelling through Canada on the Canadian National Railways.

Q. One of the great handicaps to tourist trade in many sections of the country is the lack of suitable hotels. I think in the United States the railways have been endeavouring to get private houses, and the owners of farm-houses in favourable locations to make reasonable accommodations for tourists during the season. Has your department done anything in that direction?—A. That, of course, does not come under my department, but at same time the Traffic Department are doing everything they possibly can in regard to our hotels at Jasper Park, Algonquin Park, the Highland Inn, and others, to take care of the tourists who are coming there.

Mr. STEWART: Mr. Chairman, I am not sure that this is a proper time to introduce the subject I have in mind, but I think possibly it has something to do with the work of the Industrial Bureau, or will come under their survey. It is a fact that in the central part of the province of Saskatchewan there are mine deposits of sodium sulphate, commonly known to the trade as salt, for use in our paper mills. It has been tried from time to time to develop this natural deposit, but when they get to a certain stage they find they are up against an insurmountable obstacle. All of this does not come within the purview of the Canadian National Railways Board, but perhaps part of it will. The American firms will supply all salt-cakes to our Canadian pulp mills, dumping their surplus into Canada at a price often below that which they sell to their own concerns in the United States, but even if that were removed, there still remains the fact that these natural deposits often being a great distance from the centres of the pulp industry, the freight rate enters into the matter very largely, in competition with the American product. They have the advantage in the way of freight. It seems to me this is a bulk commodity which should be carried at

[Mr. W. D. Robb.]

APPENDIX No. 5

the lowest possible rate, and could be carried by the railway at a profit at a low rate. I wonder if Mr. Robb or Sir Henry Thornton is in a position to state what the policy of the railway is at the present time with regard to just such a condition as I have indicated.

Sir HENRY THORNTON: That might be explained in this way. There are constantly opportunities developing and demands made for the movement of some commodity which is essential for the manufacture of some other commodity. Now, we have got to review the position, not only from the rate point of view, but also from an economic point of view, and it might be quite profitable for the company to handle and transport such material as, say, salt at a very low rate, at very little, if any, profit, for the purpose of encouraging some other industry from which the profit on the output would more than compensate us for any loss we might experience on some raw material like salt. In other words, it comes down largely to a question of business judgment and the circumstances connected with each individual case. You can only determine this. It is only a general formula. But that is what we must do—to try during a period of years to create a rate that will give to the company as a whole a maximum of gross revenue.

Now, as illustrative of that, and also illustrative of some other things, let me touch upon this: You would probably think there was very little connection—in fact, there would be no connection between industrial processes in France and the western farmer. Obviously, there seems to be a barrier there which could never be penetrated. As a matter of fact, there has developed within the last eight months a project in France to construct at Winnipeg—and subsequently, perhaps, at other points in the west—a factory for the manufacture of paper pulp from straw. The process was developed in France. It has been known for a good many years, but it was left to a Frenchman to develop it to the successful and economical manufacture of paper pulp from straw. It happened that the man who controls this process, and who is over here developing it now, is a Frenchman from Paris, and the whole of the process, patents, and everything else, is controlled in France. Now, he has practically completed his financial arrangements for the erection of a mill at Winnipeg. That is certainly something which we ought to encourage, because if we can find some way to turn to a useful purpose all of this straw on the western farms—or even a percentage of all of it—which is now entirely wasted, it would be a very good thing for the Dominion of Canada. In the course of his negotiations he naturally came to us and said, “What rate are you going to charge us on the straw coming into the factory, and particularly what rate are you going to charge us on the salt”—because they use a lot of salt for the purpose of generating chlorine gas—

Mr. STEWART: Is that the same salt-cakes I was speaking of—the sodium chlorid?

Sir HENRY THORNTON: No, it is the salt used for the purpose of generating chlorine gas: “*NaCl*” is the chemical formula. We had to establish a new rate with respect to his paper pulp because we had no satisfactory rate for pulp from Winnipeg; pulp has never been manufactured there, so we had to establish at once rates on his raw materials. We also had to investigate—

Mr. STEWART: Rates both east and west?

Sir HENRY THORNTON: Rates both east and west, yes. We had to investigate the rates on his straw and salt, and we are negotiating with him now, and I heard the other day from our Traffic Department that they had decided on what rate should be charged, and were submitting it to him. There is a case in point which you brought out; something entirely new involving new raw material for a particular purpose, and new rates on the manufactured products.

[Mr. W. D. Robb.]

Mr. DRUMMOND: Would these rates be proportioned to the other parts of Canada?

Sir HENRY THORNTON: Proportionately, yes. I thought we made quite a low rate on inbound straw and inbound salt, and we think we were justified in doing it, because by developing a new industry, which if developed as it will be, will be a magnificent thing for the farmers of the west and the Dominion as a whole.

The CHAIRMAN: In fixing that rate you would not consider the only factor that should enter into it is the carrying of that raw material at a profit? You might carry it at a loss in the expectation and hope that you would make a profit out of the finally manufactured commodity. Am I going too far?

Sir HENRY THORNTON: No, that is precisely right. Of course, we do not carry anything at a loss if there is any way to prevent it, but we might very well be in a position in respect to one particular commodity, and be in an entirely different position with respect to another—

The CHAIRMAN: For instance, the manufacture of salt-cakes from the natural deposits in the province of Saskatchewan might be considered in the same category?

Sir HENRY THORNTON: Precisely. Perhaps the largest factor in the whole thing is a general factor. That is to say, if we can do anything in the west to make the straw useful, which is now wasted, it is a source of constant profit to the farmers, and that is in itself almost enough to justify almost any action. Have I answered that question, Mr. Stewart, to your satisfaction?

Mr. STEWART: What you have said is entirely to my satisfaction. Sir Henry (Thornton), because I am keenly interested in seeing the railways do something that will make it possible for any industry tempted to develop its natural growth. These natural deposits may be forced to overcome the geographical difficulties which they find themselves up against, so far as distance is concerned. I think your reply may be construed as a satisfactory reply to my question. I think the transport of straw to Winnipeg affects a larger number of people than the development of the natural deposits of sodium sulphate. Several companies, to my knowledge, have attempted to develop that, but it would not affect the whole population in a given section such as the carrying of straw would.

Sir HENRY THORNTON: Of course, all these problems vary in magnitude, and vary in the number of people they affect. We might have one problem which will affect only perhaps a small number of people, or we might have another problem, like the straw problem, which will, directly or indirectly, affect practically every farmer in the west, and we have to take up each case on its merits.

Mr. STEWART: The policy of the railroad is to give a sympathetic consideration to every industry, which may be considered an infant industry having possibilities for development.

Sir HENRY THORNTON: Precisely. But we must always remember that our railway, in the last analysis, has only one problem. In fact, Canada only has one problem, and that is the problem of development. If we had twice as many people in Canada as we have, I do not think we would have anything like the problems that confront us; they would automatically solve themselves. So, we feel we are justified in straining every nerve and muscle, and making every reasonable sacrifice, to assist in the development of the Canadian industries.

Mr. STEWART: There are some problems which increased immigration will not overcome. The fact that we have a natural deposit of sodium sulphate in Saskatchewan, will not bring that product into closer touch with the pulp mills of Ontario and Quebec by increased immigration.

[Mr. W. D. Robb.]

APPENDIX No. 5

Sir HENRY THORNTON: That is true.

Sir HENRY DRAYTON: There is another concrete illustration of the necessity of the commodity rate which was proposed by Saskatchewan people some three years ago in reference to the development of coal deposits.

The WITNESS: How about that, Mr. Price-Green?

Mr. PRICE-GREEN: I cannot speak of this rate, because that would be handled by the Traffic Department.

Sir HENRY DRAYTON: That is a matter that might get some consideration.

The CHAIRMAN: Before we leave the matter of your immigration service and transportation, Mr. Robb, I want to ask this: You have, in connection with your business in Europe, I suppose, certain steamship lines—the White Star and the Cunard?

The WITNESS: Well—

The CHAIRMAN: I would like to ask whether you are placed at a disadvantage with regard to the securing of passenger traffic by reason of the fact that you have not a passenger line of your own, as compared with your competitors, we will say.

Mr. ROBB: The C.P.R. do have some advantage of us in some of the European countries, because they have steamships of their own, but on the whole we have received very satisfactory results; we are getting satisfactory results with the White Star and Cunard lines.

The CHAIRMAN: Would you think that advantage would be lessened by reason of the fact that you have established an office in Paris?

The WITNESS: I did not quite get that question.

The CHAIRMAN: Would that disadvantage be lessened, would the fact of your having an office in Paris influence passenger traffic, make it more easy to secure?

The WITNESS: Yes, we would be able to do that if we had an office in Paris. Certainly, as the head of the Colonization Branch I feel that we ought to have an office in Paris.

Mr. JELLIFF: You say the department spent \$160,000 on this immigration work last year. Have you any record which would give the approximate number of immigrants you brought in?

The WITNESS: That we brought in ourselves? That is a difficult matter to do. We know how many were brought in altogether, but as to how many we brought in—

Mr. PRICE-GREEN: We were not organized sufficiently early in the year to give any reliable figures.

Mr. JELLIFF: Then you cannot give us an approximation of the nationalities either?

The WITNESS: Yes, we have that; we could get the nationalities.

Mr. PRICE-GREEN: The record of the nationalities is only kept as a whole by the Dominion authorities; it is not segregated so far as the different railroads are concerned. Moreover, on account of the peculiar classification of the nationals now, it is more difficult than ever, because there are a great many people who practically have no country. They may have been at one time Austrians, and now they are Czecho-Slovakians or Jugo-Slovaks.

Mr. JELLIFF: Should it not be kept in that way, so that we can tell whether the expenses being paid are giving returns or not?

The WITNESS: We will know that as soon as we are established.

[Mr. W. D. Robb.]

Sir HENRY THORNTON: There is this point to be considered, too. One of the things we are all trying to do, the Canadian Pacific Railway, the Dominion Government, the Canadian National Railway, and other institutions or organizations which are interested in immigration, is to create an atmosphere in Europe with respect to this whole immigration problem. We do a little something, the C.P.R. does something, the Government does something, various other organizations do something, and the whole thing is a general propaganda movement, so it is a little difficult to segregate it and say precisely how much we are contributing, how much the C.P.R. is contributing, and how much some one else is contributing. The co-operative effort of all these organizations in the one direction creates a general atmosphere of immigration throughout Europe; the possibilities of Canada as a home for immigrants becomes known in different countries; the peasants and others begin thinking and talking about it, and you create what I can only describe as an atmosphere.

Mr. JELLIFF: Supposing you get an immigrant to come over as the result of your agencies, say to settle on a farm. You bring him as far as this country, then how do you follow that man up? That is, in placing him, for instance, on a piece of your own land, in getting him started out?

The WITNESS: A man comes out and our people meet him in Winnipeg—in fact, we meet him at the steamship first of all, in Montreal, and then we send him to Winnipeg. I cannot do better than describe the experience of a man named Foster who came out. He had about \$2,500, and as soon as he arrived our people met him there; our agricultural man met him and we took him to our land office and pointed out where the land was, what kind of land it was, and he went out and looked it over, and finally, with the advice of our people, made his selection. I got a letter from him only the other day, which I have forwarded to Dr. Black, in which Foster said he was so grateful to the Canadian National Railways for what they had done for him. He said, "I do not know what I would have done if it had not been for the assistance I received from the agricultural man and the other man who helped me buy my stock and the implements", and he said, "I am established and have so many acres in seed", and he said, "I am writing home to my people there to tell them to come out and get in touch with the Canadian National Railways and if they do the same for them as they have done for me, they will make a success".

Mr. JELLIFF: Did you place him on land?

The WITNESS: Yes, he had his choice. There are privately owned lands, lands of the Canadian National, C.P.R. lands, and so on. We take a man to the district and say, "Here is a district; if you want to go in, all right". He will say, "I want to go here", and that is the way we do it now.

Mr. JELLIFF: Do you require an initial payment on the land?

The WITNESS: They pay \$50 and then they pay half the interest the first year.

Mr. JELLIFF: What is the length of the term?

The WITNESS: It runs up to 15 years. They are very, very easy terms; he practically gets the land for nothing to start on.

The CHAIRMAN: That is Canadian National land?

The WITNESS: Canadian National land.

The CHAIRMAN: Have they the choice of any land available?

The WITNESS: Yes.

Sir HENRY THORNTON: We act as guide, philosopher, and friend; tell him to take what he wants and how he can go about buying his agricultural imple-

APPENDIX No. 5

ments, and generally give the advice which is necessary for an entire stranger coming into the country.

The WITNESS: And after that our man goes and sees him and finds out how he is getting on. That has been one of the great difficulties in the past; the men were put on the land and left to paddle their own canoes. That is why we feel this community settlement will solve these questions.

Mr. JELLIFF: I asked these questions because I was a little fearful that perhaps the railway companies would get men here, drop them off, and bother no more with them.

Sir HENRY THORNTON: It is particularly necessary to follow up the non-English speaking immigrant. They have a fairly difficult time. Let us say a man coming from Czecho-Slovakia; he is put down on a farm here with his wife and a child or two. They know no one and cannot speak the language and as you know, sometimes they are looked down upon as foreigners; they may be called Dutch, or Polacks, or Dagoes, or something like that. We have to follow these people up to see that they know where the doctor is and so on, and if anything occurs somebody has to advise them. You really have to sort of act as nurse for people of that sort until their feet are really planted in the soil, until they have established themselves. Not only with respect to their actual work does this apply, but also to their social affairs and their social amusements. I can only describe it as saying you have to more or less nurse them until they are firmly implanted in the soil.

Mr. JELLIFF: There is another question which is really an important one. A short time ago I was in Montreal and had a conference with the Swedish consul, and he said one batch of Swedish people brought over were dropped in Montreal and they could not get them out of there; they lodged them in the city and got in touch with the department at Ottawa, and they could not get the money to put up to scatter them over different parts of the country, and he said he had to find positions for them.

Sir HENRY THORNTON: How long ago was that?

Mr. JELLIFF: That was a couple of months ago. Since then he wired me that there were 3 Swedish farm labourers in Montreal, stranded, and asked me if I could do anything for them. I took it up with the Immigration Department here, and they said they were willing to advance the money to take these three settlers to Alberta, if the Consul General would personally guarantee that the money would be paid back out of their wages. We did not get the matter arranged, and I do not know what became of it. There is a case in point.

The WITNESS: Let me say something to you. I do not believe we could have known about that, because we have not been able to fill the applications which we have received. Let me give you a little data. The applications up to April 30th for eastern Canada numbered 2,207, that was for help; western Canada 3,350, making a total of 5,577. All we were able to find to fill these applications was 2,156, and we could certainly have placed more if we could have got them. We have never been able to fill 10 per cent of the applications of the Scandinavians for farm help in the east, and 50 per cent in Canada, where we could have supplied 100 per cent. Also about 25 per cent British farm help in the east, and only 15 per cent in the west. We only supplied 15 per cent of what we were asked for.

Sir HENRY THORNTON: I understand when they get cases of that sort they report them to your department?

The WITNESS Yes; we could have placed them easily.

Sir HENRY DRAYTON: There are now about 150 foreigners in northern Ontario who have no work and are being supported by local people; they practically speak no English and there are no jobs for them. I do not say that

[Mr. W. D. Robb.]

is the fault of the railway; I do not know whose fault it is, but that is the case. If you want particulars, you could get the particulars of these 150 men.

The WITNESS: We will take care of them.

Mr. JELLIFF: I have a telegram in reference to this matter as well.

Mr. JONES: I might say that a little over a year ago the Maritime members had several meetings—the last meeting, I believe, was in the office of the present Minister of National Defence, Mr. Macdonald. The meetings were attended by all the political parties in the House, I guess there are only three as yet, and it was decided there that the Minister was to visit the Maritime Provinces, and make a trip down there to go down the St. John river district. I was to pick him up at the city of St. John and take him out to Kings and Queens; the arrangement was made for that trip about the first or second week of August, and since then I have heard nothing more about it. I was wondering if that would come in here.

Mr. PRICE-GREEN: We did not hear anything about that.

Mr. JONES: Mr. Stewart was the Minister at that time, and I know there was a change in the Cabinet shortly after that.

The WITNESS: That is the case I was speaking about, group settlement.

Mr. PRICE-GREEN: The hon. member might be glad to know that we had a man down in New Denmark recently looking over the situation there. We placed a number of Danes there and next week we shall be sending 25 more to that community.

Mr. JONES: When will you be able to take up the matter of the section out of St. John? The member for St. John city had arranged to take a trip down through Lorneville, which is a very good farming district and also fishing, which would suit immigrants from the north of Ireland very well. It really does not make any difference to us whether they come from the north of Ireland or the south of Ireland, but of course they would have to be in different districts. I have arranged for about 20 ready-made farms, there, ready to be occupied, which are vacant on account of deaths, and also because returned soldiers who had these farms before going overseas, when they came back suffered from shell shock or something else and were not able to carry on, and have gone into other businesses. I would be very glad to meet anyone that the Government or the Canadian National would send, meet him at St. John—and by the way I was to take Mr. Stewart and his deputy down to Petticodiac and the city of Moncton. Were you at those meetings, Mr. Kyte?

Mr. KYTE: No, but I remember the meetings were held.

Mr. JONES: Three quarters of the representatives of the Maritime Provinces were there.

Sir HENRY THORNTON: If you would simply communicate with Mr. Robb or myself, we would be glad to take up anything of that kind.

Mr. JONES: I will give you the information any time today, or any other time you want it.

Sir HENRY THORNTON: If you will give it to Mr. Robb we will follow it up.

Mr. STEWART: Mr. Chairman, I do not think I can let this matter of group settlement, which has been raised, pass without offering a suggestion. This may not be the proper place, but I think that is one of the problems that arises out of our immigration. In the course of my observation of immigrants in the west, I think a good part of the difficulties that have arisen in Canadianizing our new settlers has been due to group settlement, to which Mr. Robb has referred. I know he stated it was not the policy at the present time to carry that into effect

(Mr. W. D. Robb.)

APPENDIX No. 5

any further than those of British stock were concerned, but I am not so sure it is even a good policy to have with regard to those of British origin, in the newer districts. I would have no objection to it in the eastern provinces, where the settlement is practically complete, but in the newer districts I have seen, those in the west, these settlers have come in and settled in a group, made up of a community of their own. These communities have not been successful, and have not made as much of a success, I am satisfied, as would have been made if these men had been scattered among the residents who had gone through the pioneering experiences, and who had adopted the methods necessary for a new country. These immigrants were British in spirit, but they carried their old-country methods and customs with them, and because they were in a group of their own they did not come in contact with others. For that reason, it was very much more difficult for them to make a success of it. When it comes to these others, other than British stock, there are a great many problems which enter in, and I would offer a protest against the Canadian National adding to our western problems, by way of adopting the group settlement of immigrants.

SIR HENRY THORNTON: There is a certain amount of difference of opinion about that. Of course, as far as the railway is concerned, we do not care a rap whether it is group settlement or individual settlement, or any other kind, so long as that is the most satisfactory to the Dominion and the people of the Dominion as a whole. Whether you are speaking in favour of group settlement or individual settlement, the objective is that thing which is best for the Dominion and which promotes contentment among the immigrants. We are not going to get that. I am glad you mentioned this, because I would very much like to have the views of yourself and others, perhaps, from the west.

Mr. HARRIS: Might it simplify it a little if I ask this question? Is it not a fact that you will trim your sails according to the government policy?

SIR HENRY THORNTON: No.

Mr. HARRIS: I understood that was your European policy, and it may be the same here.

SIR HENRY THORNTON: Possibly I answered your question hastily, and did not quite catch your meaning.

Mr. HARRIS: If it is the government policy in the discussion of immigration not to increase the group settlement, you would trim your sails accordingly?

The CHAIRMAN: Perhaps that is an unfortunate way of putting it, "trim your sails".

Mr. HARRIS: I thought it was very good.

SIR HENRY THORNTON: I suppose Mr. Harris is speaking of the government, irrespective of what party might be in power. That is, you are simply speaking of the government as the government of the country, I take it?

Mr. HARRIS: I will put it this way. If you felt that public opinion was that you should not settle these people in groups, you would lay out your organization accordingly; you would not go contrary to public opinion?

SIR HENRY THORNTON: I think if there were a pronounced opposition on the part of the people of Canada to group settlement, we of course could not proceed along the lines of group settlement. It would be ridiculous to do so, because after all the people of Canada, through their representatives in Parliament, and the government, are the shareholders of the railroad and if on any question of policy such as that there was a decided feeling that there should be no group settlement, I think we would do ourselves and the country more harm than good by trying to enforce it. We must certainly be guided by public opinion in a great many things. Have I answered your question?

Mr. HARRIS: Yes. I was just thinking about this particular statement that you made on page 96.

"If such a situation would come about, if a tariff would be put up which would practically prohibit the movement of freight from Europe to Canada, we would, of course, have to trim our sails to meet the wind, and have to adjust our forces accordingly."

The same answer would apply?

SIR HENRY THORNTON: If you are sailing a boat, you have to depend upon what kind of wind blows. I am not sure, though, that I have really given you the right impression.

Mr. HARRIS: I think so. I did not mean to interrupt the questioning; I am sorry.

Mr. MILNE: I should like to back the stand taken by Mr. Stewart. So far as the group settlement is concerned, the only argument I have ever heard appealing for the group settlement idea was the social side of it. The social life is of very great importance, but still you have to have the wherewithal to live as well as to have a social life. It looks to me, in the observations I have been able to make, that the social end is stressed with the view of making it look more pleasant and more rosy to prospects coming here, and I am firmly of the opinion that the whole immigration work is not so much to induce the people to come in, but to look after them when they get here.

SIR HENRY THORNTON: Make them all contented, so that they will become propagandists in their old homes.

Mr. MILNE: Yes. Mention was made of education along social lines. We had a statement a short time ago to the effect that we had 41 employees in this department. I cannot see how this number of men could possibly follow up the people coming in.

SIR HENRY THORNTON: I do not suppose they could. Of course, it takes more effort to follow up a foreigner, or a non-English speaking immigrant than one who speaks English.

The WITNESS: We have the assistance of the Government Land Settlement Board in our follow-up of the settlers, as well as our own department.

Mr. MILNE: How is the work divided up? Does the Soldier Settlement Board look after the financing of it?

The WITNESS: No, the man comes and the Land Settlement Board takes it up, and what they do is this. When a settler comes they have all the land listed; they have C.P.R. land and Colonization Association land, and Hudson Bay land, and individual land, and Canadian National land, and they tell this man where the land is. They ask him where he wants to go, and he may say he wants to go to a certain place which is owned by the Canadian National Railway, or say an outside individual. They will see what they can get it for him at; the price will be so and so, and if the price is too high, the Settlement people will tell the man the price is too high, and will advise him not to purchase it. However, supposing the price is satisfactory, they assist the man just as we were saying. They assist the man to get his horses and his stock and all the rest of it, and follow it up and have people visit him from time to time.

Mr. MILNE: That is an official of the Land Settlement Board?

The WITNESS: Yes.

Mr. MILNE: With regard to the group settlement, perhaps I might just make myself clear on the matter. It is simply this. Take an individual, dropped into a community which has already been established, and if the people are human—and my experience is that they are very sympathetic when a new settler

APPENDIX No. 5

comes in—they immediately become acquainted with him and learn his needs, and there are often certain things around an established farm that can be given to this new settler which will be of great value to him, but perhaps not of very much importance to the established person. For instance, he might give him a bag or two of potatoes, which he would never miss out of his bin. That is only one illustration. If you take a group settling there, they form a community by themselves and they do not get in touch with the people who have had the experience, but live off by themselves. You have to butt in, as it were, if you are going to help them and find out what they are doing and what their needs are. They live entirely within themselves; there is perhaps enough of them to form a social ring, and it is going to be hard for outsiders to get in, that is, the established farmers living in the neighbourhood. That is my main objection to group settlement, and while I might enlarge on it further I do not want to take up any more time. There is another thing, regarding land. I think the statement was made that there was about 61,000 acres of land sold at 50 cents and 60 cents an acre.

Mr. PRICE-GREEN: That is land in Ontario and Quebec, sold by the government at 50 cents and 60 cents an acre. It is provincial government land, and not land in western Canada.

Mr. MILNE: Sold to the settlers, the immigrants?

Mr. PRICE-GREEN: That is vested in the provinces of Quebec and Ontario. They have their own resources and they sell the land on time at 60 cents in Quebec, and 50 cents in Ontario.

Mr. MILNE: That is not C.N.R. land?

The WITNESS: No. The average price of C.N.R. land would run between \$15 and \$16 an acre.

Mr. PRICE-GREEN: Our announcement says \$20, but the average last year was \$15 and \$16.

The WITNESS: The average price was \$15.66. They pay \$50 down, and after that in the first year I think they pay half the interest, and the second year they pay half the taxes and the interest—

Mr. PRICE-GREEN: Taxes the first year, taxes and half the interest the second year, taxes and all the interest the third year, and then they pay up in ten annual payments.

The WITNESS: Over the 15 years?

Mr. PRICE-GREEN: Yes. The period was put at 15 years, because it is better for a man to pay it in that time; it costs him very much less than if it were extended over a period of say 35 years.

Mr. JONES: What interest do you charge?

Mr. PRICE-GREEN: Six per cent.

Mr. JONES: From the beginning?

Mr. PRICE-GREEN: Yes.

Sir HENRY DRAYTON: Mr. Chairman, the thought has occurred to me that for the amount of time at our disposal it is impossible for us to go through these accounts.

The CHAIRMAN: We made very good progress yesterday.

Sir HENRY DRAYTON: Yes, but if we are going to take them up in detail, we will never finish. My view is that we have not time this year to do very much more than take up a few general points. If we are to just indicate certain items upon which we want information and ask the management to bring it down, I think perhaps we would be able to make more progress; we cannot do very much this year. By the method I suggest we might make considerable progress,

[Mr. W. D. Robb.]

but otherwise we would never be able to get through this at all. I would suggest definitely that instead of going through all these accounts, item by item, we should indicate the accounts we really want looked into, and ask the management to bring down an appropriate statement; then when that is done, it is done, and we will save a lot of time. We got rid of a lot of these accounts the other day by my taking them up with the management in the afternoon, and practically agreeing upon the results, and I think perhaps we could do that with others and limit it as much as we can. Then there is one other thing we should do. The real function of this committee ought to be more consultive and advisory than anything else, and I think we should give some indication during our sittings as to what our views are as to general policies to be followed.

The CHAIRMAN: And embody that in our report to Parliament?

Sir HENRY DRAYTON: We might do that here, and I doubt if we could crystallize it into a report. Take for example this question we are on, this immigration question, we could discuss this for weeks. This one point of group settlement could be discussed for a week, and even then the subject would not be exhausted.

Sir HENRY THORNTON: May I say that would be, to us, a very valuable thing, because here is a question: shall we pursue group settlement or individual settlement, or shall we throw out group settlement altogether? If the administration could sit down with such a committee as this and discuss the question and determine upon a policy, we could proceed with some degree of certainty.

Sir HENRY DRAYTON: I was just going to indicate generally what seems to be one or two of the underlying difficulties.

Mr. HARRIS: Is it not the fact that you gathered a good deal of that from the discussions in the House?

Sir HENRY THORNTON: Yes, but I think such a committee as this gives an opportunity for fuller and more advantageous discussion.

The CHAIRMAN: I am not sure that this committee has any authority to deal with policies.

Mr. KYTE: We can suggest anything.

Sir HENRY DRAYTON: I think we are supposed to be here in an advisory capacity.

Mr. STEWART: Is it not always the fact that we have the privilege of discussing the policy when the estimates are up?

Sir HENRY DRAYTON: In this connection, what we are now talking about, it does seem to me that we are doing very very little in immigration. In the first instance, I should think what the management would be chiefly concerned in, would be getting the proper co-ordination between the different activities in connection with this matter. We have not it to-day. We have the C.P.R. with agents at one place; the National Railways with agents at the same place, and in some instances the government with agents also there. We should not have that overlapping, not only in connection with expenses, but what is far more important, in connection with the useful results obtained. Here, for example, we have those men in northern Ontario that I mentioned. You could find a lot of cases like that throughout the country. I think Mr. Robb will agree with me that the very first thing to be done is to get unification in connection with this.

The WITNESS :Yes, that is right.

Sir HENRY DRAYTON: And the next thing to do is to know what we are going to do. We do not today.

The WITNESS: We know what we are going to do.

Sir HENRY DRAYTON: I do not think any of us know. Here you have people coming over here; they are taken hold of when they get here; there is an argu-

[Mr. W. D. Robb.]

APPENDIX No. 5

ment as to where they should go when they are here. They are subjected to all kinds of representations made in a general way over there. My view is that our activities insofar as placing these men goes, are absolutely in the wrong place. Your policy there is absolutely wrong. Before a man is taken away, as far as agricultural men are concerned, and the man who wants to go and live on a farm, we should know, you should know, he should know exactly where he is going before he leaves the other side.

The WITNESS: You cannot always do that.

Sir HENRY DRAYTON: But you can do that in a great many cases.

The WITNESS: Some men know where they want to go, and others absolutely do not know where they want to go. With all the propaganda and everything you can give them, these men will not decide where they want to go.

Sir HENRY DRAYTON: Have you, by any chance, read the paper prepared by Mr. Magrath.

The WITNESS: Yes, I have.

Sir HENRY DRAYTON: Is that not a very good basis?

The WITNESS: Yes, but there is nothing new in that scheme at all.

Sir HENRY DRAYTON: But it gives a concrete plan for doing something which is not now being done at all. Under Mr. Magrath's scheme you would have the co-operation of the Dominion, of the railways, of the provinces and of the municipalities, which you are not getting to-day.

The WITNESS: Yes, we have. We are getting the co-operation of the Dominion and the municipalities and all the provinces.

Sir HENRY DRAYTON: We will see how far we have gone now. Under the legislation of Alberta, according to the figures given by financial papers in the west, this year there will fall into the hands of the authorities, either provincial or municipal, \$75,000,000 worth of lands, which will be held by the public. Now, they are interested in getting these lands worked again. In many instances I should think they would be very very glad to go into such a scheme as is proposed by Mr. Magrath, under which these lands—the full particulars of them would be known all over and would be submitted to the prospective immigrant and groups of prospective immigrants. Is that being done? Have you any offers of farms at the present time from municipalities in Alberta?

The WITNESS: No, I cannot say that we have, but I will say this. We are putting all this land before the people, before the prospective settlers on the other side, and they will not say where they are going to settle. You will not get that, or at least we have not been able to get it.

Sir HENRY DRAYTON: Perhaps if you were all to get together it might be done. What is your view in connection with assistance? Do you think you can get a proper body of immigrants without assistance in this country?

The WITNESS: Assistance from where?

Sir HENRY DRAYTON: I am not asking from where, but just the bald question, can you get a proper body of immigrants in this country without assistance?

The WITNESS: No, we all have to assist.

Sir HENRY DRAYTON: Do you not think we should have some worked out plan by which that assistance could be given?

The WITNESS: That would assist, undoubtedly.

Sir HENRY DRAYTON: Then, do you not think that Magrath plan should be adopted?

The WITNESS: Certainly.

Sir HENRY DRAYTON: Can you suggest any better method of assistance than that put forward in the Magrath plan.

The WITNESS: No, I do not know of any. I do not know of any better method than the one we are pursuing at the present time, notwithstanding the Magrath plan.

Sir HENRY DRAYTON: What are you doing now?

The WITNESS: At the present time we have an organization on the other side to get these immigrants, to bring them here, and it is not so much a question of getting the immigrants at all, the question arises after you get the immigrants, placing him on the land and taking care of him and making him contented. That has been the whole trouble in this country, with the settler in the Dominion of Canada.

Sir HENRY DRAYTON: You are stating a general result desired, but not the business you are doing.

The WITNESS: Of course, you must bear in mind, you must remember that we have only got started. You take our competitor, for instance; they have been at this thing for from 25 to 30 years, and we only started last year, so you have to give us time to grow.

Sir HENRY DRAYTON: What are you doing in the way of assistance? You agree that assistance is necessary, what assistance are you giving?

The WITNESS: We are getting assistance——

Sir HENRY DRAYTON: What assistance are you giving the immigrant?

The WITNESS: We are giving the immigrant assistance; we are bringing him out here and we are taking care of him. I quoted you the case of this man Foster; what more do you want?

Sir HENRY DRAYTON: I want your general policy. There is a man in England; what are you going to do for him?

The WITNESS: I have already outlined the general policy.

Sir HENRY DRAYTON: What do you give him?

The WITNESS: We give him help, assistance, and advice.

Sir HENRY DRAYTON: Do you give him any money?

The WITNESS: Not at the present time, we do not. In the group system we will help these men.

Sir HENRY DRAYTON: Under the group system, how much money would you give?

The WITNESS: Under the group system we will give this man about \$2,500.

Sir HENRY DRAYTON: How? Under what terms?

The WITNESS: The terms will be spread over a period of years.

Mr. STEWART: I take it that you have some definite policy of scheme worked out?

The WITNESS: Yes, we have. I cannot remember all the details of it, but Mr. Price-Green read it a while ago. I will send you that if you want it; I cannot remember it all.

Sir HENRY DRAYTON: Under the group system you would give \$2,500?

Mr. PRICE-GREEN: That is the advance for the Overseas Settlement Committee.

Sir HENRY DRAYTON: Where does that money come from?

The WITNESS: That money will come—we would arrange a company to advance this money, and it is guaranteed. The man would pay it all back and half of any loss is guaranteed by the British Government.

[Mr. W. D. Robb.]

APPENDIX No. 5

Sir HENRY DRAYTON: Has the company been formed yet?

The WITNESS: No, not yet.

Sir HENRY DRAYTON: It has not been formed yet?

The WITNESS: No. We would have to get the money from a Trust Company or from a bank.

Sir HENRY DRAYTON: Who would get the money?

The WITNESS: We would get it.

Sir HENRY DRAYTON: And have you done that at all yet?

The WITNESS: No, not yet. You must bear this in mind, that we are gradually working up to this. We have not got everything in shape yet.

Sir HENRY DRAYTON: Is that \$2,500 per head or per group?

The WITNESS: No, that is per head, or per family.

Sir HENRY DRAYTON: How would you secure that? That is secured by mortgage on the property?

The WITNESS: On his farm, on his land.

Sir HENRY DRAYTON: Have you any contract with the British government?

The WITNESS: Yes, we have an agreement with the British government, with the Empire Settlement Board.

Sir HENRY DRAYTON: Is that with a company or with the government?

The WITNESS: With the government, the Empire Settlement Board.

Mr. STEWART: The security part of your scheme, does it follow in general the plan adopted by the Soldier Settlement Board with regard to returned men going on the land?

Mr. PRICE-GREEN: It is somewhat along similar lines. The Overseas Settlement Committee practically guarantees this amount. On account of the difference in exchange they do not feel perhaps that it is very advantageous to put it up at the present time, although they may reconsider that. That advance will be made to the man to enable him to buy stock and equipment. He must himself have £200 in order to qualify for this scheme, and then an agreement is being worked out by which he will give the necessary security. The details of that, the legal end, have not been worked out yet.

Sir HENRY THORNTON: Is it your idea that some machinery should be made effective under some form of central control which would co-ordinate our entire immigration efforts?

Sir HENRY DRAYTON: Of the whole country.

Sir HENRY THORNTON: Of the whole country, C. P. R., Canadian National, Soldier Settlement, various private institutions, everything, that that should be steered by some central body, that we should not be working at cross purposes, and that every ounce of effort put forth should bring a maximum of results?

Sir HENRY DRAYTON: Yes, that is my idea, and I think you will agree with me.

Sir HENRY THORNTON: I do.

Sir HENRY DRAYTON: Have you had a chance of going over the Magrath plan?

Sir HENRY THORNTON: Yes. Of course, when you get discussing the question of immigration, it has so many side lines to it, and it is not an easy thing to determine a policy upon. I do not know that there has ever been any effort to approach the problem with a view to fully organizing the whole thing. We have done the best we could under the circumstances, and others have done the same thing, but I think it might be profitable if we could really determine precisely what we are going to do, and then go and do it.

[Mr. W. D. Robb.]

Sir HENRY DRAYTON: I would suggest that if you were to appoint a man—preferably do it yourself—to represent your system; the C.P.R. to do the same thing; the government to do the same thing; the British government to do the same; and the Bankers' Association to do the same thing, to sit down and see if we cannot put the whole of this thing upon a real business basis, cutting out overlapping and hitting upon some definite plan, so that the reproach can no longer exist fairly that we bring people over here not knowing what we are going to do with them, that we waste money sending them back, or that they become charges upon municipalities. In other words, know what we are going to do. We should treat the immigrant as a matter of business, practically ticket him from the time he leaves one place until he gets to his destination.

Sir HENRY THORNTON: The thing that has always impressed me in connection with our immigration problem, as compared with that of the United States, is that, so far as I know, the United States government and the United States railroads, none of them have ever put up one penny or done anything to induce immigrants to come to the United States, yet every day they are fighting them off to keep them out of the country. We have done quite differently. We have put forth every effort, we are spending money to induce immigrants to come here, and yet we are not getting them as they are in the United States to-day. The United States government and the people of the United States have not done one thing, yet somehow they are getting the people.

Sir HENRY DRAYTON: Yes, and the way we are doing to-day, we are bringing these people over here, having a great deal of trouble in getting them, and they stay until they fill their pockets and then move on. Of course, we have not any expansion going on; we have not any ready work. During the time of railway construction, every man could get a job; he could always be sure of getting a job on the railway and he always got it, but now all railway construction is over and we have not any active development going on, and there are no jobs for these people.

Sir HENRY THORNTON: This question of immigration is one with many sides to it.

Sir HENRY DRAYTON: I think if you could only get the different interests of this country together, the government would set to work, and after all this is public business that affects everybody. It should not be looked upon as government business alone, because it is not. There is no one more interested in it, after all, than the railways and the banks, and yet no attempt has been made to have them co-ordinated. The banks should be able to get a lot of information through all their offices spread over the country, where men could be placed.

The CHAIRMAN: Will you require to ask any more questions of Mr. Robb? He is the witness on this immigration idea.

Sir HENRY DRAYTON: No, not as far as I am concerned. Sir Henry Thornton has the idea. What did we spend on immigration last year?

The WITNESS: \$160,000.

Sir HENRY DRAYTON: What will we spend this year?

The WITNESS: Probably a little more than that.

Sir HENRY DRAYTON: What do your estimates call for?

The WITNESS: We have not any on that at all.

Sir HENRY DRAYTON: Oh, yes, you have.

The WITNESS: It is included in ordinary operating expenses. We have not anything in the estimates for that. It will be somewhat increased, although not very much.

[Mr. W. D. Robb.]

APPENDIX No. 5

The CHAIRMAN: The total would be perhaps \$200,000?

The WITNESS: It might be \$25,000 or \$30,000 more.

Sir HENRY DRAYTON: I should think that the officer in charge of the service would know what the estimate is for this year.

The WITNESS: You must remember this, that we are gradually growing with this, and to sit down and say just how much I am going to spend on it I do not know, and no other man knows, and I could hardly be expected to know.

Sir HENRY DRAYTON: That is why we call them estimates. I do not think you have had much to do with estimates, or you would not say that.

The WITNESS: I have had everything to do with them.

Sir HENRY DRAYTON: Have you made no request for funds yet?

The WITNESS: No, not yet. We are just gradually increasing, the same way you would increase your staff on the railroad. The operating department or the traffic department, if they are going to put on an extra man or two, do not say, "We are going to ask for additional capital to pay that man." We do not know any more than they do.

Sir HENRY DRAYTON: I fancy they know something of what their business is going to be.

The CHAIRMAN: I might say to the Committee they spent \$160,000 last year, and Mr. Robb has said they will spend possibly another \$25,000 this year.

Sir HENRY THORNTON: We will probably spend about \$200,000 on this. Of course, if something develops, we will not hesitate to increase that.

Sir HENRY DRAYTON: So long as you have enough in your general fund to cover it.

Mr. JELLIFF: Mr. Robb stated a while ago that the Imperial government gave assistance, to a certain extent. Does the Dominion government give any, or does it plan to give any financial assistance to these settlers?

The WITNESS: No.

The CHAIRMAN: The suggestion was made by Sir Henry Drayton that we should not go into these accounts in detail, as we have been doing.

Mr. HARRIS: May I ask one question? With regard to the industrial bureaus, how many have you in Canada?

The WITNESS: I cannot answer that question. That comes under the traffic department.

Mr. HENRY: That is operated from Montreal, with a sub-office.

Mr. HARRIS: My own impression is that they are doing very good work on behalf of the Canadian National Railways.

Mr. HENRY: Yes.

Mr. HARRIS: I have had occasion to know that they are doing good work, and I just want to have that on record.

The CHAIRMAN: Does the Committee want to follow the suggestion of Sir Henry Drayton?

Sir HENRY DRAYTON: I conceive that it is perfectly impossible to go through all these accounts, item by item, with any useful results.

The CHAIRMAN: You mean in greater detail than is given in this report?

Sir HENRY DRAYTON: Yes. There are certain items which I have no doubt members are interested in. For example, I was interested the other day in items of construction and capital charges. Instead of taking up time with that, the officials were going to make up a statement, and I suppose that will be made

[Mr. W. D. Robb.]

14-15 GEORGE V, A. 1924

up; perhaps it is finished already. We will get rid of all that in a few minutes. I am not going to ask anything else, except perhaps I note a question on the order paper as to expenses of advertisement and publicity. Perhaps we could get a statement there, which would show if they are spending too much money on this line. Those are the only two items I am interested in.

The CHAIRMAN: What is the wish of the Committee in regard to that? I might say that we have made pretty good progress with the exception of that part of the report which is mainly statistical.

SIR HENRY DRAYTON: These particular statistics could be taken without question.

The CHAIRMAN: Of the actual report, we have covered that pretty well; the only thing left is the capital expenditures.

Mr. HARRIS: There are two or three main questions with regard to which we have not had a chance to review at all.

The CHAIRMAN: Something left over from previous sittings?

Mr. HARRIS: Yes. At the last sitting a very pertinent question was asked regarding the coal consumed, and if the railway could file a statement covering all that, of course it might condense the discussion very considerably, but not having that statement and with the sparse information we have, it is difficult to cover the ground.

The CHAIRMAN: Did we ask them to file that statement?

Mr. HENRY: Yes, I can file that right now.

Mr. HARRIS: I wanted to get another statement covering item 451, "Salaries and expenses of general offices". I do not want the salary of any individual officer to embarrass the management of the railroad, but I would like some sort of general statement. I do not want any names or any particular office, but I would like as full a statement as the company feels disposed to give, without in any way embarrassing their position with regard to any competing lines.

The CHAIRMAN: There would be no objection to that?

SIR HENRY THORNTON: None whatever. Just precisely what does Mr. Harris want?

Mr. HARRIS: It is all on record.

SIR HENRY THORNTON: I have no doubt we can furnish you with what you want.

Mr. HARRIS: There is one other point. I would like an approximation of the capital cost per mile of the railways owned at the present time, exclusive of other services such as steamship services, exclusive of other assets such as acreage of land and all other buildings that do not have to do with the running of the railroad itself. If possible, I would like a comparison of that with the C.P.R., so that I could crystallize in my own mind as to how much the capital of the Canadian National Railways will have to be reduced in order that it will be put on a basis at the earliest possible moment which will permit the citizens to compare its operations with the operations of other railroads in the country.

The CHAIRMAN: Are you asking for the cost or the value?

Mr. HARRIS: The capital per mile, what the capital cost per mile should be, how it should show in the assets.

SIR HENRY THORNTON: What you would like to know is the cost per mile of the system?

Mr. HARRIS: I want to know how much the capital should be reduced. That is the point I am getting at; what should be the capital cost per mile. We know it is away in excess of what it should be.

[Mr. W. D. Robb.]

APPENDIX No. 5

The CHAIRMAN: You mean the obligations upon which the government or the railway are now paying charges are greater than the actual value of the assets, and perhaps should be written down?

Mr. HARRIS: I should say it is the capital value per mile that I want.

SIR HENRY THORNTON: Was not that information given in the House the other day?

SIR HENRY DRAYTON: I suppose what is really wanted is the actual cost, and then the replacement value.

Mr. HARRIS: Could we get the value per mile?

The CHAIRMAN: In the balance sheet at the foot of page 7 it says——

SIR HENRY THORNTON: No, that is not it.

The CHAIRMAN: I fancy it is. "Consideration is being given to the policy to be followed with respect to the capitalization of the system, and the extent to which, if at all, the advances made and capital held by the Government should be written down to a figure which may be regarded as consistent with the earning prospects of the railway." Is that along the line you want?

Mr. HARRIS: I want it, so that we can give consideration to it as well.

The CHAIRMAN: You want the capital cost or the value?

Mr. HARRIS: I do not want the cost; I want its value.

SIR HENRY THORNTON: We can give you the capital cost per mile; that is comparatively simple, but if you should ask me today what is the value of this railway per mile——

SIR HENRY DRAYTON: You could estimate the replacement value.

Mr. HARRIS: I will be satisfied with the cost, and I will take the cost of some competitive road and crystallize my ideas on that.

The CHAIRMAN: It is a big job.

Mr. HARRIS: Yes, but something has to be done. This snowball is growing at an enormous rate.

The CHAIRMAN: Can you do it in time for this committee.

SIR HENRY THORNTON: I doubt it. We might make a sort of stab at the replacement value.

Mr. HARRIS: I understood there was some considerable work being done in this connection also, inasmuch as there is consideration being given to the policy now.

SIR HENRY THORNTON: Yes, but we have not gotten very far with it. I would like to furnish the information, but my difficulty is in getting at what you want.

SIR HENRY DRAYTON: If you take the Swayne report that will give you a fair yardstick. If you take that report of 1916, which Mr. Henry knows all about, that will cover the value; not the cost, but the value of the Grand Trunk Pacific lines, and also the Canadian Northern lines. Then if you take the basis of the Grand Trunk award—not the claim, but the amount actually awarded—you will get a pretty fair idea as to the value.

SIR HENRY THORNTON: I think I know what Mr. Harris wants, and I think we can satisfy him.

Mr. HARRIS: There is a sentence in this "Balance Sheet" at the foot of page 7 which says, "On the other hand it would seem unreasonable to burden the Canadian National Railways with a load which is beyond its conceivable earning capacity." Let us have that load, and what the earning capacity is.

The CHAIRMAN: I think that can be done all right.

[Mr. W. D. Robb.]

14-15 GEORGE V, A. 1924

Sir HENRY DRAYTON: I wonder if Mr. Henry has been able to get the details of the capital charges?

Mr. HENRY: Yes, I have, and I will file it now.

LONG LAC CUT OFF
Expenditures Year 1923

Account.	Amount.
1. Engineering.. . . .	\$ 61,172 03
2. Land for transportation.. . . .	2,689 80
3. Grading.. . . .	740,623 24
6. Bridges, trestles and culverts.. . . .	182,284 63
8. Ties.. . . .	97,128 09
9. Rails.. . . .	260,726 13
10. Other track material.. . . .	48,187 92
11. Ballast.. . . .	42,985 22
12. Track laying and surfacing.. . . .	97,947 48
15. Crossing and signs.. . . .	133 36
16. Station and Office Buildings.. . . .	37,900 92
17. Roadway Buildings.. . . .	63,039 67
18. Water Stations.. . . .	55,508 77
19. Fuel Stations.. . . .	20,618 81
20. Shops and Enginehouses.. . . .	250,541 48
26. Telegraph and Telephone Lines.. . . .	17,160 88
47. Unapplied Construction.. . . .	80,507 03
77. Other Expenditures—General.. . . .	101,086 21
Total.. . . .	<hr/> \$2,160,241 67
Expenditures prior to 1923.. . . .	16,866 65
Expenditures year 1923.. . . .	2,160,241 67
Expenditures Jan. 1, 1924, to May 31, 1924..	194,925 39
Total expenditure.. . . .	<hr/> \$2,372,033 71

HARDWOOD RIDGE TO MINTO MINES
Expenditures Year 1923

Account.	Amount.
1. Engineering.. . . .	\$ 7,628 22
2. Land.. . . .	1,828 92
3. Grading.. . . .	35,333 83
6. Bridges, Trestles and Culverts.. . . .	18,089 63
8. Ties.. . . .	7,737 28
9. Rails.. . . .	8,898 73
10. Other Track Material.. . . .	8,886 48
11. Ballast.. . . .	5,425 03
12. Track Laying.. . . .	14,030 01
13. Fences.. . . .	3,771 20
	<hr/>
Expended 1924.. . . .	\$ 111,629 33
	49,886 68
	<hr/>
	\$ 161,516 01

[Mr. W. D. Robb.]

APPENDIX No. 5

The CHAIRMAN: That was gotten up from the items?

Mr. HENRY: Yes. With respect to the coal consumption, I can also give that.

Mr. HARRIS: Mr. Chairman, I think we would save a lot of time if we had a chance to review that statement between now and the next meeting.

The CHAIRMAN: Shall we take that up at the next meeting? In the meantime, the statements will be filed.

Mr. HENRY: I will just read it. Your question was the number of pounds of fuel per thousand gross ton miles. In 1923 on class one railroads in the United States it was 188 pounds; on the Canadian National system it was 142. In 1922 on class one railroads it was 186 in the United States. The corresponding figure on the Canadian National cannot be given, for the reason that it was not a system then. For the month of May, 1923, compared with the month of May, 1924, in the various regions, the consumption is as follows:—

Lbs. coal per 1000 G.T.M.	1924	1923
Atlantic Region..	192	213
Central Region..	142	146
Grand Trunk Western Region..	131	146
Western Region..	101	110
System..	127	140

There is a reduction in each region.

Mr. HARRIS: Have you any general statement with regard to this?

Mr. HENRY: No, except that it indicates the result of a greater effort being made to effect fuel economy.

Mr. HARRIS: Any general statement with regard to the different regions? You spoke about some 40 divisions.

Mr. HENRY: The consumption, of course, depends a great deal upon many different factors. It depends upon empty car movement, for instance, upon grades and loading and all that kind of thing.

Mr. HARRIS: Have you any statement as to where these supplies were bought?

Mr. HENRY: Generally speaking, the supplies of coal utilized on the western region are obtained there.

Mr. HARRIS: You recollect I asked very distinctly about the increased cost, and you were going to bring in a statement with regard to the reason for the increased cost, in view of the fact that there has been a considerable reduction in the amount consumed, that is, the amount per gross ton mile.

Mr. HENRY: There was a slight decrease in the average price per ton.

Mr. HARRIS: A decrease in the price per ton?

Mr. HENRY: Yes, but there was also a substantial increase in the volume of business done.

Mr. HARRIS: What price was paid per ton, in any region you wish to give, preferably the Atlantic region? What was the average price per ton in 1923?

Mr. HENRY: The average price per ton on the whole system in 1922 was \$5.82 and in 1923, \$5.64. There was more coal, of course, consumed in 1923 than in 1922, because of the increased business.

Mr. HARRIS: So the price of coal decreased and the poundage per gross ton also decreased.

[Mr. W. D. Robb.]

14-15 GEORGE V, A. 1924

Mr. HENRY: That was due to economies.

Mr. HARRIS: How many channels are you getting this coal from in the Atlantic region at the present time?

Mr. HENRY: I could not give you that offhand; a dozen or more.

Mr. HARRIS: Does your own purchasing agent do all the buying?

Mr. HENRY: We have the Vice-president in charge of purchases and stores. He does that. That is all done directly from the head office in Montreal.

Sir HENRY DRAYTON: I suppose Mr. Vaughan is in charge of that?

Mr. HENRY: Yes.

Sir HENRY THORNTON: And he has a general fuel agent whose particular function is to look after fuel purchases, and he in turn has regional purchasing agents who report to him in respect of prices and all that sort of thing, and follow his directions in regard to the purchase of coal. It is all under the direction of the Vice-president in charge of purchasing, who is aided by a fuel purchasing agent.

The CHAIRMAN: Gentlemen, it is nearly one o'clock. Shall we decide when to meet again, and what we shall consider? We can meet this afternoon if we so desire. We have the permission of the House. If we do, what shall we take up, in view of the suggestion made by Sir Henry Drayton? What is the wish of the committee?

Mr. STEWART: I am hardly in agreement with the suggestion of Sir Henry Drayton, in the circumstances. I think perhaps it would not be quite as satisfactory a method as following the lines we are proceeding on now. However, seeing that we are coming to a place where we will have to stop soon, I think the best thing we can do is to curtail the discussion wherever we reasonably can.

Sir HENRY DRAYTON: I would suggest that at the next meeting we could almost finish what we want to say. There are two things I have asked for, and that is all I will want.

Major BELL: There has been a request made that we explain the electric railway situation, and if it is satisfactory to the committee and yourself we would like to bring that on this afternoon.

Mr. STEWART: Mr. Chairman, there was a statement yesterday promised about the superintendence at Saskatoon. Is that available?

Mr. HENRY: That will be available this afternoon.

Sir HENRY DRAYTON: In the meantime we will just think things over and confine ourselves to particular items into which we want to inquire.

The witness retired.

The committee adjourned.

COMMITTEE ROOM 231,

HOUSE OF COMMONS,

FRIDAY, June 27, 1924.

The Select Standing Committee on National Railways and Shipping resumed at 3.30 p.m., Mr. W. D. Euler, M.P., Chairman, presiding.

The CHAIRMAN: We will proceed.

Mr. STEWART (Humboldt): We were to have a statement on the electrified lines.

The CHAIRMAN: Yes, Mr. Henry.

Mr. HENRY: There are three electric lines involved, Mr. Chairman; the Niagara-St. Catharines and Toronto, extending generally from Port Dalhousie, [Mr. Henry.]

APPENDIX No. 5

St. Catharines, Thorold to Port Colborne with an extension to Niagara-on-the-Lake and Niagara Falls. There are sixty-two miles in that railway. The second one is known as the Toronto-Suburban Railway, which extends from Guelph to Toronto. The third is the Toronto Eastern extending, the constructive portion of it—

Mr. KYTE: Are these tram lines or electric?

Mr. HENRY: Electric. The Toronto Niagara and St. Catharines, and the Toronto Suburban are being operated, but the Toronto Eastern is only partly constructed.

Mr. MILNE: How long is the Toronto-Guelph line?

Mr. HENRY: The Toronto-Guelph is fifty-eight miles.

Hon. Mr. GRAHAM: You will find the Canadian Northern Electric lines on page 51.

Mr. HENRY: Yes, with the exception of the Toronto-Eastern. There is included in this year's programme, an amount of \$1,500,000 intended to be expended upon these three lines. The Niagara-St. Catharines and Toronto Railway is partly a street railway and partly an inter-urban railway. The street railway end of it, or what you might call the urban end of it was operated under a number of franchises. I think there were ten or fifteen in the city of St. Catharines, seven or eight in Niagara Falls, and one or two in Merritton. Some of these had expired, and the proposal now is to make arrangements with the various municipalities whereby the urban service will be rehabilitated where necessary, and extended where necessary, and new franchises entered into with the municipalities on the basis of service at cost.

Hon. Mr. GRAHAM: Did you get rid of the old franchises?

Mr. HENRY: In some cases. To date an arrangement has been effected on that basis with the city of Niagara Falls. That has been approved, has gone through the Council and we are now negotiating with the city of St. Catharines along the same lines. But these negotiations are still in progress. That will mean for a period of three years an expenditure of perhaps \$2,500,000, fifty per cent of which will be expended on the urban and fifty per cent on the inter-urban. The inter-urban development will give an electric service running from Port Dalhousie to Niagara Falls and to Port Colborne.

Sir HENRY DRAYTON: This \$2,500,000, is all on the Niagara line?

Mr. HENRY: That is the estimated expenditure to rehabilitate the urban and inter-urban lines.

Sir HENRY DRAYTON: Line or lines?

Mr. HENRY: Both.

Sir HENRY DRAYTON: That is all the Niagara and St. Catharine lines?

Mr. HENRY: All the Niagara and St. Catharine lines. Fifty per cent is for the city service and fifty per cent for the other, the inter-urban. An arrangement has already been effected with the city of Niagara Falls on the basis of service at cost.

Sir HENRY DRAYTON: When you say "service at cost," do you mean service at cost plus?

Mr. HENRY: Plus six per cent, and that cost would include a certain amount to amortize the principal in two or three years.

Sir HENRY DRAYTON: What are the prospects of getting an arrangement with St. Catharines?

Mr. HENRY: They seem to be progressing.

Sir HENRY DRAYTON: There was some delay?

Mr. HENRY: There has been some difficulty.

[Mr. Henry.]

Sir HENRY DRAYTON: But that is being smoothed away?

Mr. HENRY: It is being smoothed away.

Sir HENRY DRAYTON: It was on a five-cent basis.

Mr. HENRY: That has been. With the exception of the city service, they were all on a basis of a five-cent fare. The inter-urban services have paid.

Sir HENRY DRAYTON: I think they got eight per cent on the inter-urban service.

Mr. HENRY: We lost money on the urban service but the inter-urban more than made up that and gave us operating expenses and interest on the investment and advances.

Sir HENRY DRAYTON: For years it was carrying itself?

Mr. HENRY: Oh yes.

Sir HENRY DRAYTON: The inter-urban service?

Mr. HENRY: Yes.

Mr. MILNE: That is not purely a passenger service.

Mr. HENRY: No, passenger service and freight service.

Mr. MILNE: How did the freight haul compare with the steam haul?

Mr. HENRY: It has to have the same rates. It is under the same scale of rates as the steam rate exactly but it has the advantage of getting closer to the industries in that district.

Sir HENRY DRAYTON: It is a very good feeder?

Mr. HENRY: Very good indeed.

Sir HENRY DRAYTON: That is one that is very good.

Mr. MILNE: Is it cheaper to operate with steam?

Mr. HENRY: It is. Your traffic is heavier, and it is heavier in that district.

Mr. MILNE: The power is purchased?

Mr. HENRY: The power is purchased on a contract from the Hydro Commission. The second line, the Toronto-Suburban, was also part of the Canadian Northern. By the way, these lines were a part of the Canadian Northern System. The Toronto-Suburban extending from Guelph to Toronto had about seven miles of line in what is known as ward seven in the city of Toronto. The franchise with respect to one part of that expired I think in 1921. The franchise with respect to another part expires in 1928. Under an arrangement with the city of Toronto that was taken over. The agreement was effective during the past summer. That left us with this Toronto-Suburban line starting at Guelph and terminating at Lambton.

Sir HENRY DRAYTON: Are you still running to Keele Street?

Mr. HENRY: No, we terminate with the city limits.

Sir HENRY DRAYTON: That is under the recent arrangement?

Mr. HENRY: We did run to Keele Street, along the Dundas and Devenport Road, but the city has now taken over this line, and they have changed or are changing the gauge. We also have a street-car service running up through the municipalities of Mount Forest and Weston on these streets, and then an eight-miles branch from the Northern end of Weston to Woodbridge. We are negotiating with these municipalities now with a view to having them take over these lines as the franchise will expire in about four years. They have the right to acquire them at a valuation.

Sir HENRY DRAYTON: Taking the Lambton and Woodbridge line for example, under the old system a man would take his car to Woodbridge and get off at Keele St.?

[Mr. Henry.]

APPENDIX No. 5

Mr. HENRY: Exactly.

Sir HENRY DRAYTON: Where does he connect now?

Mr. HENRY: He connects with the Toronto Transportation Commission cars up at the city limits.

Sir HENRY DRAYTON: On what street, the Weston Road?

Mr. HENRY: It is on the Weston Road.

Sir HENRY DRAYTON: You do not transfer him across to Lambton?

Mr. HENRY: No, we have not yet any connection between the two.

Sir HENRY DRAYTON: There is no connection between them?

Mr. HENRY: There is none.

Sir HENRY DRAYTON: In the meantime, what is happening to the traffic?

Mr. HENRY: In the meantime the traffic is interchanged with the Toronto Transportation Commission at Lambton in the West and at the city limits in the North.

Mr. STEWART: How are they transferred?

Mr. HENRY: Our passengers get off our cars and get on theirs.

Mr. STEWART: They have to pay their fare?

Mr. HENRY: Oh yes, there is not any arrangement with the city in that regard.

Sir HENRY DRAYTON: The old Woodbridge fare was twenty-five cents I think.

Mr. HENRY: Thirty-five, I think, from memory.

Sir HENRY DRAYTON: What is the fare now?

Mr. HENRY: I think it is the same rate.

Sir HENRY DRAYTON: That does not seem right.

Mr. HENRY: The city limits are what you would call Northland Avenue.

Sir HENRY DRAYTON: There is no street car out there?

Mr. HENRY: Here is our line (indicating).

Sir HENRY DRAYTON: On the West side of the street car.

Mr. HENRY: The city has taken this and widened the gauge.

Sir HENRY DRAYTON: The city are now operating your old route?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: There was a proposition that you would swing this over to your railway right-of-way and give Woodbridge on the North quick access to the city. What has become of that idea?

Mr. HENRY: Well, the trouble with that is that this franchise expires in 1928.

Sir HENRY DRAYTON: That would make it all the easier to deflect to your right-of-way and have a quick suburban service.

Mr. HENRY: You mean from the Woodbridge end of it?

Sir HENRY DRAYTON: From Weston north.

Mr. HENRY: We are running a gas car, a storage battery car there now. We will have to operate this line along the streets.

Sir HENRY DRAYTON: I do not know that any change will be an advantage. It is an awful system as it now stands. Will there be any new rolling stock?

Mr. HENRY: There is provision for some new rolling stock.

Sir HENRY DRAYTON: You will agree that there is urgent need of it?

Mr. HENRY: It is not in very good shape, Sir Henry.

[Mr. Henry.]

Sir HENRY DRAYTON: I should think not.

Mr. HENRY: The proposition there is and it is now in course of construction to connect the Guelph end of that line by running over the old belt line right-of-way and connecting with the old Grand Trunk, what is now the Brampton sub-division, which is above St. Clair Avenue.

Sir HENRY DRAYTON: That would delay getting into the city. That would be a further handicap?

Mr. HENRY: No.

Sir HENRY DRAYTON: You would have to run a line through the congested area?

Mr. HENRY: This was the Guelph end of it.

Sir HENRY DRAYTON: Does not the Guelph end work out the same way?

Mr. HENRY: No, the old belt line that I am speaking about is that portion of it west of the present Grand Trunk, the Brampton sub-division.

Sir HENRY DRAYTON: Which end do you say, the westerly extension or the easterly extension?

Mr. HENRY: We use the westerly going into the Brampton sub-division which is above St. Clair avenue. That is now under way.

Sir HENRY DRAYTON: How much is intended to be spent on that line?

Mr. HENRY: About \$200,000.

Sir HENRY DRAYTON: How much of that for rolling stock?

Mr. HENRY: Probably \$50,000.

Sir HENRY DRAYTON: You will not get very far with that.

Mr. STEWART: Compared with the St. Catherines line, was this as profitable?

Mr. HENRY: No, this line has not succeeded in paying anything more than its operating expenses. I do not believe that in the last year it did that.

Sir HENRY DRAYTON: I do not think you are paying operating expenses now.

Mr. HENRY: It paid its operating expenses in every year but 1923, when it had an operating deficit of \$38,000.

Sir HENRY DRAYTON: It is getting worse all the time. It is fair to say that this is one of the lines that Sir Adam Beck wanted to take over, and it was hung up, and it has got worse and worse.

Mr. HENRY: The third line is the Toronto Eastern.

Sir HENRY DRAYTON: This is more a liability than an asset.

Hon. Mr. GRAHAM: What about the Toronto Eastern? Do you approach it with fear or what?

Mr. HENRY: Somewhat. I might perhaps review the history of that for the information of the Committee, if you think it desirable.

The CHAIRMAN: Would the Committee care to have that?

Some Hon. MEMBERS: Yes.

Mr. HENRY: During the years 1905-06 when the Canadian Northern Railway located its Oshawa and Toronto line, between Oshawa and Port Hope it was found necessary to keep the line back on the shore of Lake Iroquois in order to maintain the maximum five-tenth grades at reasonable costs. This location ran north of the towns of Whitby, Oshawa and Bowmanville, a distance of about two miles. Considerable opposition of this location arose from these municipalities who wanted it to pass through their towns in order that they might benefit thereby. This opposition was carried before the Minister of Railways.

[Mr. Henry.]

APPENDIX No. 5

When the route map came before him for his approval, in order to maintain the standard—

Hon. Mr. GRAHAM: That would be the Canadian Northern?

Mr. HENRY: The Canadian Northern. In order to maintain the standard set for the main line cars over the Canadian Northern, the municipalities were told then that if they withdrew their opposition to the approval of the route map the company would construct an electric railway from Toronto easterly which would give them a much more frequent service than could be obtained on the steam line. On this understanding, the route map of the Canadian Northern Railway was approved.

Sir HENRY DRAYTON: What year was that?

Mr. HENRY: 1907. In order to carry out the undertaking above referred to, the Toronto Eastern Railway was incorporated in 1910. Its incorporation provided for the construction of an electric railway from a point in the city of Toronto running easterly through the towns of Whitby, Oshawa and Bowmanville to Cobourg.

Mr. HARRIS: In what way? Could you enlarge on that?

Mr. HENRY: It was supposed to run through the streets of Pickering, Whitby, Oshawa and Bowmanville.

Mr. HARRIS: You appreciate that it is twenty-five miles from Oshawa to Pickering?

Mr. HENRY: Yes.

Mr. HARRIS: How were you going to get out of the city?

Mr. HENRY: They had in mind at that time two routes, one running over to the present location of the Canadian Northern; that is the Canadian Northern now known as the subdivision joining it at Cherrywood and running through that point along the line of the Canadian Northern through the down-town to the station.

Mr. HARRIS: How are you getting out of Toronto?

Mr. HENRY: The intention, as I was explaining at that time was to run over the Canadian Northern.

Mr. HARRIS: To Cherrywood?

Mr. HENRY: From Pickering to connect over about three miles to Cherrywood, running over the old Canadian Northern down to the Don.

The CHAIRMAN: Mr. Henry, I think most of the members have been receiving marked copies of papers published at Oshawa protesting at some sort of railway enterprise which has gone on there. Is this the same one?

Mr. HENRY: I presume it is the same.

The CHAIRMAN: Can you give an explanation of that at the proper time?

Mr. HENRY: It is the railway to which they refer. That was the original intention. It developed subsequently there was some objection taken to that route by the operating officers of the steam railway. They did not want an electric railway to run alongside a steam railway, so a new route was chosen, running down between the then Grand Trunk and the Canadian Northern, just about one-half mile north, also running down to the Don.

Mr. HARRIS: North all the way through?

Mr. HENRY: North of the Grand Trunk all the way through, and the right of way was purchased for that purpose.

Mr. HARRIS: And south of the Canadian Northern?

Mr. HENRY: South of the Canadian Northern. The line was constructed from the eastern limits of Wellington street, Bowmanville, to the western limits of the town of Whitby, a distance of 14.6 miles.

[Mr. Henry.]

14-15 GEORGE V, A. 1924

Mr. HARRIS: That construction would apply for the other idea you had in mind?

Mr. HENRY: Oh yes. This construction consisted of standard grading, structures, etc. 80-pound rails, but no overhead and no electrical work. From the western limits of Whitby to Pickering, a distance of five miles, the grading and structures were constructed, but no track laid. From Pickering to Kingston Road—that is from Cherrywood to the old Grand Trunk—to the Kingston Road crossing, at the Scarboro Golf Club, a distance of 10.7 miles, between 40 per cent and 45 per cent of the right of way has been purchased, but no construction work done. Now, the question which faced the present management upon the acquisition of the Grand Trunk Railway System was that the Government found itself in control of three lines of railway in this district, namely the double-track line of the old Grand Trunk, the partly constructed line of the Toronto Eastern, and the line of the Canadian Northern running roughly parallel to the shore of Lake Ontario, and about six miles from it. It is proposed now that the portion of the old Canadian Northern from Cherrywood to Orono be abandoned, and a connection be made. There are two alternatives there under consideration, one is a connection between Cherrywood and Pickering—

Hon. Mr. GRAHAM: How far is that?

Mr. HENRY: It is approximately four miles—no, 3½ miles. Then the electrification of the old Canadian Northern Railway between Cherrywood and the Don. That is one.

Mr. HARRIS: When you say the Don, you mean the Don Station?

Mr. HENRY: Yes. (To Mr. Brown). What is the name of that station there?

Mr. BROWN: Queen Street.

Mr. HARRIS: Riverdale.

Mr. BROWN: Riverdale.

Mr. HARRIS: I am sorry, Mr. Henry, I am not clear on that. You say “Riverdale”? How will you get to Riverdale?

Mr. HENRY: By following the line of the old—no, it is not Riverdale. That is on the other line. (To Mr. Brown). What is the other Canadian Northern Station there—it is really Queen Street—

Mr. HARRIS: The Don Station at Queen Street.

Mr. HENRY: It was contemplated making a stop at Bloor Street and at Queen.

Hon. Mr. GRAHAM: Did this Toronto Eastern come over to the Canadian Government with the Canadian Northern System?

Mr. HENRY: No, it did not.

Hon. Mr. GRAHAM: How did you get it then?

Mr. HENRY: This company did not form one of the constituent companies of the Canadian Northern System when it was taken over by the Government, but was acquired by the Canadian Northern under authority of Order-in-Council 2331, on September 23rd, 1918. The stock of the Toronto Eastern was transferred to the Canadian Northern Railway on September 27th, 1918. By this means the control passed to the Canadian Northern and the Dominion Government.

Mr. JELLIFF: How many railway lines have you there?

Mr. HENRY: There are at present three.

Mr. JELLIFF: You have the Grank Trunk, with two tracks—

Mr. HENRY: The Toronto Eastern and the old Canadian Northern.

(Mr. Henry.)

APPENDIX No. 5

Mr. JELLIFF: Is the Canadian Pacific there?

Mr. HENRY: The Canadian Pacific has two; it has two lines. Those I mentioned are the three of our own lines.

Mr. JELLIFF: What is the width of that district they traverse there?

Mr. HENRY: The Canadian Northern line is about six miles from the Lake Shore. I suppose the C. P. R. line is another five or six miles—that is, the northerly line—that would be about 12 miles, I will say.

The CHAIRMAN: Mr. Henry, do you still operate the Canadian Northern line from Toronto east and also the old Grand Trunk and if so, why? Do they not duplicate each other.

Mr. HENRY: We operate a daily passenger service in the summer time, and in the winter time a tri-weekly mixed service.

Hon. Mr. GRAHAM: On the Canadian Northern.

Mr. HENRY: On the Canadian Northern.

The CHAIRMAN: How about the Grand Trunk?

Mr. HENRY: That is the through main line and all our freight and passenger traffic goes that way.

The CHAIRMAN: You really do not need both of them.

Mr. HENRY: We do not need to operate on the Canadian Northern—a portion of it.

Hon. Mr. GRAHAM: There is a difference of opinion there. The railway says they do not need it. And the people say they do. There is a difference of opinion. One of the difficulties is that in the construction of a line, as soon as it is constructed, a lot of new villages spring up, and stations are constructed. The people get accustomed to having a station at their doors. Now, it is not an easy matter to take that service away from them, even if it does not pay. That is where the difficulty comes in. I suppose it is conceded you cannot abandon one of these lines, or take up the tracks, without the consent of the Board of Railway Commissioners?

Sir HENRY DRAYTON: I don't think that is conceded at all. I know under the American authorities the Boards cannot make them run, and I do not know how any Board can prevent a company going out of business if it wants to. That question was up in the House in connection with the abandonment by the Hill System of their line in British Columbia, which they had operated for years.

Hon. Mr. GRAHAM: Is that included in the Canadian National Act?

Sir HENRY DRAYTON: Not that I know of.

Hon. Mr. GRAHAM: I was told it was. I think you will find it in the Canadian National Act. I was so informed.

Sir HENRY DRAYTON: It may be. I would not contradict you, but I think it is a change from the general practice.

Hon. Mr. GRAHAM: Maybe it is, but I think it is in the Canadian National Act. I will look it up. Now, technically, the Canadian Northern is not in the Canadian National System owing to some difficulty about securities and so on, but I have suggested to the Canadian National Board, and they have agreed, that whatever the law is, the Canadian Northern will come under its provisions just the same as if it were in the Canadian National System technically. If we obey the law, you cannot take that line up without the consent of the Board of Railway Commissioners.

The CHAIRMAN: Are all the National Railway lines under the control of the Railway Commission, the same as privately owned lines?

[Mr. Henry.]

Hon Mr. GRAHAM: May I not—

Sir HENRY DRAYTON: There were exceptions made, and I think we had better have the same rules all around.

Hon. Mr. GRAHAM: Major Bell tells me the point I referred to is in the Canadian National Act.

Sir HENRY DRAYTON: I don't know why that should be put on the Canadian National if not on the private lines. The Government ought to have as much business control as a private line.

The CHAIRMAN: Have you finished yet, Mr. Henry?

Mr. HENRY: I was going to explain that there were two alternatives being considered.

The CHAIRMAN: All right; go ahead.

Major BELL: In connection with that point brought up about both lines. There are a number of things to be discussed this year. One thing is taxes. I think that was explained, that taxes in the different provinces vary, as to the methods of arriving at the amounts. We are going to try to have a meeting of all the provincial treasurers to get some form of taxation that will be fair to the provinces and fair to ourselves, and we will probably, in discussing that, find a possible way of the Government lines paying certain taxes, but there would probably have to be some change to bring the Government lines under the Board of Railway Commissioners, because they are exempt in regard to the orders for subways, etc.

Sir HENRY DRAYTON: I do not think the lines in eastern Canada should be any different to those in the west. It is most unfair for the provinces of Nova Scotia and New Brunswick if they cannot collect their taxes, while the other provinces can.

The CHAIRMAN: Now, let Mr. Henry complete his statement.

Mr. HENRY: The other alternative contemplated is running from the end of the present constructed line at Pickering over to the old Grand Trunk, and construct along the same right of way a third track up as far as Kennedy Road, and then make a junction with the Canadian Northern at that point, running down to Queen Street and Bloor. The idea there was to have the use of the third track up that hill, so that we could utilize it for both purposes, both steam and electric.

The CHAIRMAN: Are you through with that?

Mr. HARRIS: We have not anything there excepting the idea that there were two or three things under consideration, Mr. Chairman. What is the policy of the Canadian National Railways with regard to that?

Mr. HENRY: The policy with regard to that is to make the electric connection right through to Whitby, Oshawa and Bowmanville, connect it with the old Canadian Northern Railway at Orono, and continue on to Port Hope.

Mr. HARRIS: Which one of the alternatives do you propose to use?

Mr. HENRY: We have not quite decided about that.

Mr. HARRIS: When do you expect to come to a conclusion?

Mr. HENRY: Very shortly.

Mr. HARRIS: And when you come to that conclusion do you propose to ask permission to go ahead with that work?

Mr. HENRY: Yes, but there would not be much done this year.

Mr. HARRIS: Will there be anything done on it before you come to Parliament?

Mr. HENRY: No.

[Mr. Henry.]

APPENDIX No. 5

Mr. HARRIS: You will come to Parliament before you make a move?

Mr. HENRY: Surely.

The CHAIRMAN: Does that in some respects parallel the steam line?

Mr. HENRY: It does, and we propose to abandon 28 miles of the Canadian Northern, eliminating service on that entirely, and thereby saving an operating deficit of \$100,000 a year.

The CHAIRMAN: For that particular stretch will there be only the one line?

Mr. HENRY: No. There will be two lines. The present Grand Trunk, the main line, a double tracked main line for freight purposes—then there will be an electric line for passenger purposes.

The CHAIRMAN: You would apply that same idea to the Toronto Suburban that goes to Guelph? If it is a good idea east of Toronto, why is it not a good idea through the thickly populated portion of southwestern Ontario, west of Toronto; would it be extended through to Kitchener and Stratford?

Mr. HENRY: In time it might be done; we have not that under investigation.

The CHAIRMAN: There is not much being done on the Toronto Suburban from Toronto to Guelph.

Mr. HENRY: If we landed any place it would be all right.

Mr. HARRIS: In regard to that landing some place: I would like to say that that district in the last 20 years has multiplied, I would say, at least 700 per cent; it is growing very fast.

The CHAIRMAN: In population?

Mr. HARRIS: Yes, taking the old city limits of 20 years ago and that area east. The riding which I represent 20 years ago had 10,000 people; to-day it has 110,000; and the same applies more or less right out through that district.

The CHAIRMAN: You would not say that the country around Port Hope and Oshawa has increased by 700 per cent?

Mr. HARRIS: No, but where the big expenditure will be made, within a radius of 20 miles. The portion of the line from Pickering is constructed?

Mr. HENRY: Yes. This will take care of the suburban service between the district Pickering to Toronto on the east, and from there on the line is already constructed to Bowmanville; it goes right through the hearts of Pickering, Whitby and Oshawa, as well as Bowmanville; whereas the Grand Trunk to the south does not hit the town at all, really.

Sir HENRY DRAYTON: Mr. Henry, you are familiar, of course, with this famous telegram of the management to Toronto at the time they were having their radial election, as to the electrification of radials in the district, and what was said as to the electrification from Toronto east?

Mr. HENRY: From Toronto east?

Sir HENRY DRAYTON: Yes, you remember that, do you not?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: It was said by many people that the election turned on that telegram. Do you remember, from that telegram, how far the management undertook to electrify to the east?

Mr. HENRY: I don't think there was anything said, excepting this, Sir Henry (Drayton), that the electrification of those lines between Cobourg and Toronto, I think, would be given consideration.

Sir HENRY DRAYTON: I thought it was more definite than that.

Mr. HENRY: I don't think so.

[Mr. Henry.]

Sir HENRY DRAYTON: However, Cobourg is the point mentioned. You are right in that. How far have you got in considering the question of the electrification of the lines from Toronto to Cobourg?

Mr. HENRY: It is contemplated the electrification or equivalent—and when I say “equivalent” I mean the unit car—between Port Hope and Toronto—

Sir HENRY DRAYTON: That was as far as you understood the matter. This would be in discharge of the executive obligations under that historic document?

Mr. HENRY: I don't know that there was any obligation, Sir Henry (Drayton), but this represents the view of the—

Sir HENRY DRAYTON: At any rate, whatever the document may be, all you intend to do is to have an electric line in the manner you have indicated to Bowmanville? You were not thinking of any electrification of the Grand Trunk?

Mr. HENRY: No, it would not be economical, Sir Henry (Drayton); not at the moment.

Sir HENRY DRAYTON: While we are on the question of the electrification: what about the electrification of the terminals at Toronto? I think that is the most economical thing you could do.

Mr. HENRY: The electrification of the terminals could not possibly be proceeded with until the final terminal scheme is developed.

Sir HENRY DRAYTON: You would have to know whether you are going to have to elevate or not?

Mr. HENRY: Absolutely. We are also considering the electrification between there and Niagara Falls. If there is any place where electrification would be justified, it would be in that district.

Sir HENRY DRAYTON: That is the view I had in 1916.

Major BELL: The terminals would have to be by the Terminal Company, Sir Henry (Drayton).

Sir HENRY DRAYTON: It would.

Mr. HARRIS: Mr. Henry, are you working in conjunction with the Hydro-Electric? You are aware the Hydro-Electric have done a great deal of engineering work—

Mr. HENRY: Have done a great deal of engineering work?

Mr. HARRIS: Not actual work, but investigation with regard to the surveys.

Mr. HENRY: I had the advantage of the information which they have gathered.

Mr. HARRIS: Are you working in conjunction with them?

Mr. HENRY: I cannot say we are working in conjunction with them.

Mr. HARRIS: Are you any closer together than you were a few years since?

Mr. HENRY: It depends on what you call “close.”

Mr. HARRIS: With regard to working together. Their view is that they should come in by way of the Toronto Harbour Development. In fact, they have set aside a right of way from the centre of the city right out, and I wanted to know if you were any closer together as regards which way you would come in.

Mr. HENRY: That is all tied up in the general terminal scheme. We have not considered that from the point of view of electrification—

Mr. HARRIS: I would not say “all” in view of the fact that the right of way has been reserved from the Toronto Harbour Commissioners by the Hydro.

Mr. HENRY: Part of it out toward Oakville?

[Mr. Henry.]

APPENDIX No. 5

Mr. HARRIS: No, sir, to the east. I am speaking of the east.

Mr. HENRY: Our view would be that we come in over our own tracks unquestionably.

Mr. HARRIS: There is no question about that?

Mr. HENRY: No, there is no question about that.

Mr. HARRIS: Have you had any representation from the Hydro people at all, or has the point been raised?

Mr. HENRY: No.

Mr. HARRIS: These points have not been discussed?

Mr. HENRY: No.

Mr. HARRIS: You are not on common ground with regard to this radial question?

Mr. HENRY: No. I think I would say right off the bat they ought to come into the Union Station.

Mr. HARRIS: The old Toronto and York Radial line is serving a part of the populace.

Mr. HENRY: Yes, the Toronto and York is really a street line; it is not a radial at all. It takes them too long to get in; they stop at every corner.

Mr. HARRIS: Is it the policy of the Canadian National directorate to approach the Hydro people with a view of the two of you working hand in hand to bring this to a conclusion?

Mr. HENRY: Well, the way we feel about that is that with facilities which we are offering, or intend to offer on the lines we already have, there would not be any good object—

Mr. HARRIS: You must recognize they have the power, have they not?

Mr. HENRY: They have the power.

Mr. HARRIS: And you propose to have the handling of the railway?

Mr. HENRY: They have the power, and we will have to buy the power from them.

Mr. HARRIS: You are a public ownership enterprise, and so are they.

Mr. HENRY: Yes.

Mr. HARRIS: Are you both standing aloof on this?

Mr. HENRY: So far as that is concerned we have not got together; if that is what you mean.

Mr. HARRIS: Is it your purpose to get together before you go too far?

Mr. HENRY: Well, that is a pretty hard question to answer. You would assume we were considerably apart on it; you would consider we were a long way apart on the proposition. What we are really trying to do is to co-ordinate and utilize the facilities that we already have, and we think that, having done that—

Mr. HARRIS: The point I want to make is this: You propose to bring this radial to a conclusion; you propose to give that district a radial service.

Mr. HENRY: We propose putting in a radial service there by co-ordinating the existing facilities and thereby eliminating the necessity of doing anything else.

Mr. HARRIS: And you propose doing that as rapidly as possible.

Mr. HENRY: As rapidly as possible.

Mr. HARRIS: But as far as you know you do not propose to approach the Hydro Commission or System immediately before you go farther with your work.

[Mr. Henry.]

Mr. HENRY: No, for the reason we are utilizing all our own facilities.

Mr. HARRIS: The question of your power to run your radial eventually has not received consideration as yet.

Mr. HENRY: I don't understand your question.

Mr. HARRIS: The question of power: you have in your facts and figures a record of what this power will cost—or have you?

Mr. HENRY: No, we will have to pay the current rates for power, of course; there is no getting around that.

Mr. HARRIS: In view of the fact that the Hydro have done so much engineering investigation on this, in your judgment do you not think it would be good business to confer with them, and the two of you work as a unit, if possible?

Mr. HENRY: In what respect? From the standpoint of comparing notes and things of that character, or from the standpoint of developing a radial scheme—

Mr. HARRIS: From the standpoint of arriving at a policy which would be satisfactory to the province of Ontario as well as to the Canadian National Railways.

Mr. HENRY: It depends on what you mean by that.

Mr. HARRIS: When I refer to the province of Ontario, I refer to the Hydro Commission.

Mr. HENRY: It would depend on what you consider that to involve; I think that would be a question perhaps, which the President would have to answer.

The CHAIRMAN: Mr. Henry, you have to use Hydro power?

Mr. HENRY: Yes.

The CHAIRMAN: Would you have to use the Ontario Hydro power?

Mr. HENRY: To a certain extent.

The CHAIRMAN: Oh have you the alternative of developing your own?

Mr. HENRY: We have not, no—not in that district.

The CHAIRMAN: You would have to use theirs?

Mr. HENRY: Yes.

Mr. HARRIS: Mr. Chairman, I think Mr. Henry appreciates this point. You have the Hydro Commission through the province of Ontario, a public ownership proposition; we have the Canadian National Railways, and I must submit from the evidence I received that the two of them are not as close together as they might be, and I consider that the first fundamental is that they should both have a policy to which they could subscribe, and if it is brought to an issue, would be successful.

Mr. HENRY: From the standpoint of the Canadian National Railways, the view we take is this; that we are on the ground. We have to a large extent all the facilities that are necessary, and it is just a question of a little extension here, or a little extension there, or a little electrification here, or a little electrification there, to fully meet the demands.

Mr. HARRIS: Who are the owners of the Toronto and York Radial?

Mr. HENRY: The Toronto and York Radial is, I think, owned by the city of Toronto, and operated by the Hydro Commission.

Mr. HARRIS: Inasmuch as it goes out in this territory for some 20 odd miles, and you are going over the same territory, or practically the same—a little to the north—I maintain that you ought to be on common ground, because we all know that when the press gets hold of the Hydro Commission on the one hand demanding that the radial should be here, and the Canadian

[Mr. Henry.]

APPENDIX No. 5

National Railways on the other hand advocating their proposition, you have a line of cleavage right away.

The CHAIRMAN: For the purpose of information, I would like to ask you is there any objection to the National Railways constructing a duplicate line to one now operated by the city of Toronto or the Hydro Commission?

Mr. HARRIS: I would not say that. If you used the words "proposed duplicate line" and the "proposed line to be operated by the Hydro Commission," I would say yes.

The CHAIRMAN: Are you afraid that if it continues as it is now, we may have—

Mr. HARRIS: Cleavage, unless these gentlemen get together.

The CHAIRMAN: Two competing, public-owned lines.

Mr. HARRIS: I don't think we will stand for that. I want to get them together, before they get too far apart.

Mr. HENRY: There is no conflict there at all. As far as the line to West Hill is concerned, it is simply a street railway, Mr. Harris.

Mr. HARRIS: How much money has been spent by the Hydro Commission in the development of the radial line starting somewhere in the heart of the city of Toronto, running through the Toronto Harbour Development, up through Erie Terrace, and north from $2\frac{1}{2}$ to 3 miles, and then projected out into the country from there?

Mr. HENRY: I forget how much.

Mr. HARRIS: They have spent quite a considerable amount?

Mr. HENRY: Not so much on that end, as they have on the other. I do not think there was much money spent on that end.

Mr. HARRIS: There is a definite policy behind that expenditure?

Mr. HENRY: There was.

Mr. HARRIS: Is that policy being co-ordinated with yours? You had no conference with the Hydro Commission.

Mr. HENRY: No, we have had no conference with them.

Mr. HARRIS: Do you propose to have one? Do you think it would be advisable to have one?

Mr. HENRY: I don't see that any good purpose would be served by having one. It is a question of our co-ordinating our facilities there and providing the service which that territory demands.

Mr. HARRIS: You feel it would be the policy of the Canadian National line then to go ahead the way you are going, and not pay any special attention to the effort that has already been put forth by the Hydro Commission?

Mr. HENRY: Excepting to benefit by the information that has been obtained.

Mr. HARRIS: Perhaps Sir Henry Thornton could give us his idea as to the policy you propose to pursue with regard to getting an entrance into the city of Toronto for the Toronto eastern lines?

Sir HENRY THORNTON: (To Mr. Henry). You stated what?

Mr. HENRY: I explained to Mr. Harris what we proposed to do, and Mr. Harris referred to the proposal put forward by the Hydro Electric Power Commission in connection with their radial line, and he asked me the question whether it was the policy of the Canadian National Railways to sit down with them and work out a scheme which would be satisfactory to them and to the people of Ontario. My answer to that was that as far as the Toronto eastern was concerned we were endeavouring to co-ordinate the facilities which we had

[Mr. Henry.]

there and which we considered were ample to meet the transportation requirements of that section; it had not been necessary to consider the subject from the point of view of information—what the proposal of the Hydro had been.

Sir HENRY THORNTON: (To Mr. Henry). That was in respect to the Toronto eastern?

Mr. HENRY: Yes.

Sir HENRY THORNTON: We already have our entrance arrangements made with the city of Toronto for the Toronto eastern.

Mr. HARRIS: You already have your arrangements?

Sir HENRY THORNTON: We know what we want to do, and it has been consummated.

Mr. HARRIS: The same applies to the Hydro. They have an idea of what they would like to do.

Sir HENRY THORNTON: I would be quite willing to sit down with the Hydro or with anyone else and discuss any question which will save them money or save us money, or enable us jointly to provide any community with better service. All we want is simply to protect our business to our interests if there is any way we can do it, but if there is any way we could co-operate with any one to do a little better job, then we want to do it, and we are willing to do it.

Mr. HARRIS: That is what I wanted.

The CHAIRMAN: Is that satisfactory?

Sir HENRY DRAYTON: I think you would go a little farther than that, and say you could not want a duplication of public-owned utilities.

Sir HENRY THORNTON: That is what I did mean to say, substantially. We must protect the future business of the Canadian National Railway system in every reasonable way in looking at anything of that sort.

Sir HENRY DRAYTON: You have to look after the traffic, and you are objecting to any other public system robbing your line of traffic?

Sir HENRY THORNTON: That is it.

Sir HENRY DRAYTON: On the converse side; as a matter of fairness, I think you would take the stand that if the Hydro got definitely advancing in any direction you would not go in and rob them of their traffic?

Sir HENRY THORNTON: Precisely.

The CHAIRMAN: This might not be the time for me to intervene, but I would like to ask if you have made a real survey of the possibilities of gasoline-operated cars, and what the result of that is?

Mr. HENRY: They are not conclusive.

The CHAIRMAN: Is that about as far as you can go?

Mr. HENRY: That is about as far as I can go.

The CHAIRMAN: You have made some investigation?

Mr. HENRY: Oh yes. We are investigating these right now.

Mr. MILNE: Are you operating any?

Mr. HENRY: Yes, we are.

Mr. BROWN: We have 14 services in operation now.

Major BELL: We are operating one from Ottawa here up toward Pembroke.

Mr. HENRY: We are operating a gasoline car between Vancouver and mileage 69; a storage battery car from Winnipeg to Transcona, a storage battery car from Toronto to Oakville, a steam motor car between Bridgeburg and Black Rock. A storage battery car between Toronto and Weston Park and between Toronto and Beaverton, a gasoline car between Picton, Trenton and Napanee, a

APPENDIX No. 5

storage battery car between Ottawa and Pembroke, Brockville and Westport; Montreal and St. Eustache, Montreal and Rawdon, Montreal and Waterloo, Campbellton and Bathurst, and a gasoline car between Summerside and Tignish.

Sir HENRY THORNTON: Most of them are storage battery cars.

Mr. HARRIS: Can you operate trailers with these?

Mr. HENRY: It depends upon the grade.

Mr. STEWART: To what extent does the location of the line affect the use of the storage battery?

Mr. HENRY: You would have to have a place to charge it. It would run about 100 miles between charges.

Mr. STEWART: Then it takes a long time to charge it?

Mr. HENRY: About ten hours.

Sir HENRY THORNTON: The trouble with the storage battery was that it did take so long but Edison Company developed some years ago a new storage battery which is not only fool-proof but which can be charged in about half the time the other battery could.

Mr. MILNE: It is a pretty expensive equipment?

Sir HENRY THORNTON: It is pretty expensive but this far it is the most satisfactory type of car that we have been able to get hold of. The automobile does not seem to be adapted to satisfactory service on steam railway lines. I cannot see why that should be. Within the last year or so the problem seems to have been gone into rather more intelligently by the manufacturers of gasoline engines and it is not unlikely that something fully as satisfactory as the storage battery would emerge but we have been more successful with storage battery cars than any other kind of propelled vehicle.

Mr. MILNE: I do not think the line running from Winnipeg to Transcona would be a fair test, as to the possibilities of some of these branch lines, but where there is light traffic you would be able to have some kind of service in. I have in mind a line that runs up the west side of Manitoba.

Sir HENRY THORNTON: We have over 100 of these routes under investigation now. For small units the gasoline is much cheaper.

Mr. MILNE: That would be the ratio?

Sir HENRY THORNTON: One is twice as expensive. An electric car is twice as expensive as a gasoline car. As a matter of fact if we could find some cheaper form of construction and some cheaper character of propellant for unremunerative branch lines, it would be what we want. It does seem ridiculous to build branch lines, standard bridges, build them as you would build a standard Transcontinental railway, if the branch cannot be developed. For instance, those of you who have been in France will remember the little narrow gauge lines that prevail along the side of the highway and run into the outlying villages, carrying passengers, vegetables and milk and all that sort of thing to some line and from there it is carried to Paris and other large cities. Now it does seem to me we are going on the wrong principle. We ought to find some way to extend our rural population transportation facilities at less expense than we do to-day. Agriculture is being moved in carload lots and we do not want to add to that expense, but if we could only get a small propelling unit, a gas engine, that could cut the cost off. There is no doubt we are spending too much money on that sort of thing.

The CHAIRMAN: It would probably be the most promising in the gasoline field.

[Mr. Henry.]

Sir HENRY DRAYTON: Yes.

Mr. STEWART: In that connection, the other day I was reading a report by an engineer of high repute, in which he made a criticism of the Canadian National, right along that line. He said it was too highly organized and that the handling of these smaller branch lines in the traffic did not justify the full complement of train crew and so on. What have you to say to that?

Sir HENRY THORNTON: It depends what he means by organization. If he means the organization of the train or of the train crew, undoubtedly he is right. If we run a passenger train over an unproductive branch, with a combination car a day coach or something like that, under the working arrangement we have with the labour organization, we have to have a driver, a fireman, a conductor and a couple of brakemen, and it is not justified, but we have not succeeded, and that applies to every railway on the North American Continent. Nobody has found any way to get around it. When we put on a gasoline car, that is not within the scope of the trades union or the organization. You might equip it with perhaps a driver, a conductor or you might have just a driver alone. He is quite correct. If that was the character of the criticism I think he is right.

Mr. STEWART: I think the text of the criticism also led me to believe that his criticism was that the organization had too much on its hands, in a big way, to pay the necessary attention to details, to handle the smaller proposition.

Sir HENRY THORNTON: I might say his criticism was incorrect in that respect. In fact, if there was any criticism, it has been that we had too many officers rather than too few but our answer to that would be that the general superintendents and superintendents have quite enough time to give any aspect of the company's business that attention that it deserves, and we are leaving nothing undone to develop business on the branch lines, because obviously the more business we can get the more money we can make. If we can build up our gross earnings, take for instance one of the months last autumn our gross earnings were \$25,000,000 and we earned \$5,000,000 net. Now, any month that we can get \$25,000,000 gross we can earn \$5,000,000 net. That is all there is to it. It is simple; so that our problem is building up our business on our bigger lines to support the large mileage which we have got, and the moment that our gross reaches a certain point we can make money.

The CHAIRMAN: If you cut down expenses that would have the same net result?

Sir HENRY THORNTON: You cannot cut down expenses beyond a certain point. Of course, expenses do fluctuate more or less with the bulk of business but there eventually comes a point below which you cannot go. For instance you have to have a section foreman and one man along the track. You cannot take all of your men off. If you have a station you have to have a station agent there or a clerk to look after the company's business, whether you do \$100 worth of business or \$5,000 worth, but there comes a point below which you cannot get rid of expenses. Our chief and only problem is the business of gross earnings. That is practically all there is to it.

Mr. MILNE: In the development of the gasoline car I am somewhat interested. As I understand it you have an engineering and research department.

Sir HENRY THORNTON: Yes.

Mr. MILNE: Do you attempt to design cars in those departments?

Sir HENRY THORNTON: No.

Mr. MILNE: It seems to me in an organization like this you must have a bunch of engineers and very many of them would be capable of designing something like that. A practical man would have a better opportunity of working something out rather than waiting for the engine company to develop something.

APPENDIX No. 5

Sir HENRY THORNTON: We thought it would be better to work in collaboration with engine manufacturers who have highly trained experts in that particular line and who are trying themselves to develop a car that would be satisfactory. We thought it would be more advantageous to work with them rather than to attempt to design anything ourselves because it is a very technical business.

The CHAIRMAN: And sometimes building locomotives, the same way.

Sir HENRY THORNTON: When it comes to building locomotives we are at home. We have been familiar with the steam locomotives for many decades. But when you come to design a gasoline car that is another story. We could of course hire experts and go ahead experimenting, but I think it better to work in collaboration with the manufacturers, and they are assisting us.

Mr. MILNE: You must have fertile brains in some of your shops.

Sir HENRY THORNTON: I do not think we have a man in our shops that would be competent to design a combustible gasoline engine.

Mr. MILNE: The engine is developed. Now, it is simply a matter of applying that engine to a vehicle that would be suitable for running on rails.

Sir HENRY THORNTON: Our efforts thus far have been in working in collaboration with the manufacturers and advising them to see whether jointly we cannot develop something that is satisfactory.

Mr. MILNE: The reason I make this suggestion is that very often we find a very fertile brain working on a very particular invention, but the man is not practical, that is, he is an inventive genius but he does not know the practical end of it, and I thought that by having a bunch of engineers, who knew railroad work from one end to the other, these would be the fellows to make the investigation.

Sir HENRY THORNTON: We are applying it as far as we can to the manufacturers and we are watching the development of different sorts of engines all over the world. There have been two developments in Europe lately, the Turbine and a form of Diesel engine. The latter offers a great deal of promise and I am not so sure but what we might build one ourselves, to see how it works. I am merely mentioning that to say that we are watching the mechanical developments all over the world.

The CHAIRMAN: Specializing on these cars has been carried further in these private manufacturing enterprises than you can hope to do in a reasonable time.

Sir HENRY THORNTON: Yes, because that is their business. They specialize and they can afford to spend more money on it than we can.

Sir HENRY DRAYTON: They have elaborate testing machinery and they are certainly keen to get the business if they can.

Sir HENRY THORNTON: They are only too anxious to develop something.

Sir HENRY DRAYTON: There is another thing I want to bring up, and that is in connection with the question in the order paper, advertising and publicity.

The CHAIRMAN: Are we through with that other phase, the organization and engines? Are there any other questions?

Sir HENRY DRAYTON: Items No. 276; 358; 410; 458; 74. The total cost of stationery and printing is \$1,630,069. Then there is an item for advertising, Item 353, \$1,063,784. Total for advertising, printing and stationery, \$2,693,863. I wanted to get a statement just showing what you paid for printing, advertising and publicity and to whom.

Sir HENRY THORNTON: That would be Item 276, stationery and printing.

Sir HENRY DRAYTON: 276; 358; 410; 458; 74; 353. That does not include other charges for publicity. They would appear under that head. They would appear under general expenses, so that that list is incomplete.

Sir HENRY THORNTON: Yes.

Sir HENRY DRAYTON: Then it is a fairly serious clause.

Sir HENRY THORNTON: Maybe I can explain this now.

Sir HENRY DRAYTON: I would think that statement would be filed.

Sir HENRY THORNTON: You would like a detailed statement of how that money was spent?

Sir HENRY DRAYTON: A detailed statement, showing everything spent for advertising, publicity and stationery.

Sir HENRY THORNTON: In sufficient detail to explain it. Do you mean to say a matter of \$300 or \$400?

Sir HENRY DRAYTON: You need not bother about that.

Sir HENRY THORNTON: Can we get that? What Sir Henry (Drayton) wants, I think is, not in too much detail but to give him and the Committee an idea, an accurate idea of just where the money was spent and the purpose for which it was spent.

Sir HENRY DRAYTON: Under that heading, yes. Under these three headings, advertising, printing and publicity. I do not know what "publicity" comes under. It is a general item, included in general expenses.

Sir HENRY THORNTON: We will have to see what we can do with it.

Mr. STEWART: There are two more items I would like explanation on, 451 and 452. Perhaps "explanation" is not the word to use, but a general statement that would meet a certain amount of criticism that has been levelled at the company.

The CHAIRMAN: Which item is that?

Mr. STEWART: 451-452. This criticism has come from those who are not favourable to our Government owned roads, it is true, but criticism is along this line, that the policy has been to build a lot of fat jobs, to use a very commonplace term, or to get a lot of people into good salaries. These items would seem to limit themselves to such a criticism in view of the fact that salaries have increased 36 per cent plus, and those in the lowered salaried positions have increased only 4 per cent and I think Sir Henry (Thornton) could probably make a statement to clear up that situation.

Sir HENRY THORNTON: In the first place if you will take the bulk of our employees, engineers, firemen, conductors, brakemen, machinists, machinist foremen, telegraphers, men engaged in the maintenance of way and structures department, I should say that those were all members of various trade unions. They belong to railway trade organizations and the rates of pay and the working conditions are determined by negotiation with the heads of their particular organization.

Mr. STEWART: Might I just ask you here now, how broad is the application of that item 452, that is, does that include all of those you have mentioned?

Sir HENRY THORNTON: No, you will see when I have finished my statement, those whose rates of pay are determined by negotiation with the trade unions represent by far the largest proportion of our total staff, and therefore if there is any criticism that there has been no increase, proportionate increase in rate of pay, to those in relatively humble positions, the answer to that is that all of that is a matter of negotiation with the trade unions and we do not deal with the individual except in rare cases, and the trade unions look after the interests, the special interests of those whom they represent, and their interest can be, I safely say, left. Now, when you came to—

APPENDIX No. 5

Mr. STEWART: Just before you go on from there I want to make it plain that I do not state I heard any criticism that those lower salaries had not been increased sufficiently. It was that the others had been increased out of proportion.

Sir HENRY THORNTON: That is what I want to explain. That is something which we deal with collectively. It is collective bargaining with respect to, I suppose, at least 90 per cent of our men.

The CHAIRMAN: Even the higher paid ones. That is what you are referring to?

Mr. STEWART: Perhaps Sir Henry sees through it.

Sir HENRY THORNTON: That represents the way in which the wages are determined for what might be called the rank and file, and I do not think there can be any criticism that they have not been properly looked after, because if there is any criticism it is not against the company. It is against the trade union organizations that represent them.

Mr. STEWART: I was not suggesting any criticism there.

Sir HENRY THORNTON: When you come to the higher paid officers in the organization, I am safe in saying we have no more general officers and they are no more highly paid than on the average, and the generally accepted practice in every railway like the Canadian National Railway System—if you take our higher officers you will find that they generally receive not so much money as the corresponding officers on a first class American railway. I do not know exactly, of course, what the salaries are that are paid to the higher officers of the Canadian Pacific Ry., but so far as I have been able to find out we are certainly no higher and in many cases I know that we are paying less, so that the criticism that we are paying our officers a higher salary than a corresponding officer in a similar company is not an accurate criticism. We pay our vice-presidents a sum per annum, which I know from my own knowledge, is less, correspondingly with officers who do not do as much work, on either the New York Central or the Pennsylvania Railway. Our general expenses increased last year \$254,000. Practically all—in fact I feel safe in saying, that all of that increase was due to expenses incurred through the situation of the officers and the staff moving from one place to another and in getting them settled down into the new organization. For instance, we established our own regional headquarters at Winnipeg and Toronto and Moncton. We collected all our general headquarters staff at Montreal. Men had to be sent from Toronto and other places. Those clerks and officers, more particularly clerks, in many cases owned their own homes or partially owned their own homes in the place where they lived. It was not fair to ask them to sacrifice their homes in order to move to the new headquarters which the company determined upon, and we had to assist them for the time being, in getting rid of their property; and also we had to help them in their expenses and their rentals for a period in the place to which the company had moved them. Furthermore there had to be reconstruction of offices, interior arrangement of the offices, to meet the new organization. Now, all of that represented expense which came into last year and which will not be recurrent in subsequent years. That is the explanation of the increase of the \$254,000. You, of course, will understand that we had to consolidate the headquarters staff and to some extent the regional staff of the old Grand Trunk system, of the old Government railway and several hundred, in fact perhaps, some thousands of clerks had to be moved to be put in the new quarters and in new habita. All of that meant a good deal of initial expense which will not come about in subsequent years. Really, it is an expense that will not absorb gross earnings, and even with these expenses added last year, which as I said, would not be recur-

rent in subsequent years, our percentage of expense to gross revenue is substantially that of other large railway properties.

Mr. HARRIS: What railway would you say?

Sir HENRY THORNTON: I would include any of the standard railways on the North American Continent. The salaries of general officers, who do not work eight hours a day, but if necessary, work twenty-four hours a day, whose first and only allegiance is to the company, have not been increased anything like in proportion to the increases which have been enjoyed by engineers, firemen, telegraphers, brakemen and men of that sort.

Mr. STEWART: That is the very point I was going to ask you about.

Sir HENRY THORNTON: The railway companies of the North American Continent have been much more liberal in the increases which they have given to wage earners than they have been in salaries which have been given to officers, and that is true of every railway on the North American Continent. It is likewise true of every railway in Canada. In England, just by way of example, wages were increased from 120 per cent to 150 per cent since the commencement of the war. The salaries of the general officers have been increased about 25 per cent.

Mr. STEWART: You say that the increases in higher salaries is not an important factor in the \$254,000 increase.

Sir HENRY THORNTON: No.

Mr. STEWART: That is the gist of the whole thing.

Sir HENRY THORNTON: I will add to that that rank for rank, man for man they are being paid no more on the Canadian National Railway System than is the case of any first class railway on the North American Continent. I know of a good many instances where our officers, vice-presidents are getting less. I know of an officer who is in charge—and this I know of my own knowledge to be a fact: there is an officer who is in charge of maintenance and operation in a comparatively small railway in United States, and when I say a small railway, it is not as large as the Baltimore and Ohio or the Pennsylvania. It would correspond to something like the Delaware, Lackawana and Western or the Delaware and Hudson. That officer has a pretty easy time of it. He does not have to worry about expense because the road is making money, or he does not have to put in the hours our men are putting in. He is getting \$10,000 a year more than any officer of the Canadian National System. I have not had one request for increases in salaries from an officer of the company.

Mr. HARRIS: Have there been many additions to those senior officers?

Sir HENRY THORNTON: We have consolidated and re-arranged but we have not made any additions. Of course we have to take this into consideration, that when you consolidate over a large railroad system such as the Canadian National and the Grand Trunk, you have a certain redundancy of officers. You have two vice-presidents, doing the same thing and two general managers, experienced in motive power or something of that kind, and you have only a place for one and you have men who have given 25 and 30 years of their life to the service of the company they are working for. You cannot throw them out; you have to provide for them. It will mean a little more money but it is good business to do so. In time that straightens itself out. For example, just by way of illustration, we had a manager of hotels, who had been with us for some years. He was made manager of hotels under the new organization. We likewise had another manager of hotels, who also looked after the sleeping cars on the Canadian Northern and we had to take care of him, and we put one in charge of the sleeping and dining cars and the other in charge of hotels. Not

APPENDIX No. 5

so long ago the man in charge of the hotels resigned and this man had to take care of two positions.

The CHAIRMAN: That will all correct itself.

Sir HENRY THORNTON: That will correct itself in the process of attrition.

Mr. STEWART: What I meant was the amount of new blood brought into the organization of that class.

Sir HENRY THORNTON: Offhand I do not know of anyone. I think all our important posts have been filled by officers that we found on one or the other of the two properties.

Mr. STEWART: Are there one or two very highly paid officers who have been brought in in the last twelve months? I mean over \$20,000 a year?

Sir HENRY THORNTON: We employ a radio engineer to take charge of our radio work. We employ a superintendent of insurance, and then, of course, there was the immigration and colonization department. We had nothing of that sort before and that is entirely new. But if you consider the size of our organization I think there have been surprisingly few officers imported from the outside. I think offhand only two. Dr. Black would perhaps be the one, as Mr. Bell reminds me, who would approach the case you have in mind.

Mr. HARRIS: I had an idea there was new blood brought in as an assistant to you.

Mr. BELL: Assistant to the General Manager?

Mr. HARRIS: To Sir Henry.

Mr. BELL: The gentleman you refer to has been there I suppose for two years.

Sir HENRY THORNTON: Probably you mean the man who is now the assistant chief of transportation. I brought him here myself. We have a superintendent of elevators. He has been here for years and years, I suppose. I do not know how long he has been here.

Mr. BELL: He was first with the Canada Atlantic; then he went with the Navigation Company, outside the company. He came back into the organization again.

Mr. STEWART: I would suggest it might not be well to pry too much into these things if it is going to cause any embarrassment.

Sir HENRY THORNTON: Go ahead.

Mr. STEWART: In the line of competition with the Canadian Pacific only.

The CHAIRMAN: Would it not be well to leave these personal matters out of the record?

Sir HENRY THORNTON: I would be glad to tell Mr. Harris anything he wants to know about that aspect of it.

Major BELL: I might clear up a matter that came up yesterday. I think Mr. Stewart brought it up. Mr. Sewart brought up the question, he said he did not have the information himself. It was rumored that at Saskatoon we had four or five superintendents and the C.P.R. had one. I knew there had been something wrong. We have four divisional superintendents, one at Saskatoon, one at Port Arthur, one at Regina and one at Melbourne, with a mileage of 3,086. The C.P.R. have three divisional superintendents in the Saskatoon district, Regina, Moose Jaw and Saskatoon, but they have only a mileage of 2,453, so it is just about right, but where the mix-up comes is, our general superintendent's office is situated at Saskatoon, while the C.P.R. general superintendent's office is at Moose Jaw, and there is exactly the same organization. There is the general superintendent, the district engineer, master mechanic and superintendent of transportation and transportation assistant and the divisional

14-15 GEORGE V, A. 1924

superintendents. It happens that our general superintendent is at Saskatoon, looking after the whole of the Saskatchewan district.

Mr. STEWART: You can readily see how the criticism would arise in that locality, because these men in this office are known as superintendents, and the C.P.R. has only one man who is known as a superintendent here.

The CHAIRMAN: If you had the two offices together, the staff is exactly the same.

Mr. STEWART: I think the statement Sir Henry made with regard to the larger salaries would clear up a feeling in the minds of some people that should not exist there.

Sir HENRY THORNTON: I think those who are called officers do not work eight hours a day. They work, if necessary, twenty-four hours a day. They are governed by no working conditions at all. They have no rights other than the right to serve the company, and they give a lifetime of service to the company, working long hours loyally and efficiently, as compared with the ordinary conductor or driver who, when he has finished his day's work, is through. He puts his engine away and goes home, and has nothing else to do until he comes on for his run the next day. The officer is constantly at the disposal of the company.

Major BELL: You find that in the breaking down of the general officers; you will not find that they stand the pace.

Mr. STEWART: I introduced this as a matter of criticism which I had heard, but I must say that the criticism that one hears, or the comment one hears, is very largely in compliment to the men who show this loyalty and enthusiasm for the road, to which Sir Henry has referred. One hears comment along that line ten times, I am bound to say, to one criticism of the other kind. However, I simply introduced this question to clear up the matter.

Sir HENRY THORNTON: It is one of the functions of the committee to try and clear up anything of that character.

Major BELL: You will find in a comparison of salaries paid the higher officers of the railways, as compared with industrial concerns, that the railway men are lower paid.

Sir HENRY THORNTON: I might, with pardonable pride, say that the president of this railway whose vice-president I mentioned not so long ago, gets \$75,000 a year.

The CHAIRMAN: Now, gentlemen, we have had a pretty good discussion on that; is there anything further?

Mr. JONES: I notice under "General Expenses," item 154, "Law expenses" increased about \$200,00 over last year.

Sir HENRY THORNTON: Mr. Henry will tell you about that.

Mr. HENRY: There is \$100,000 in that account which represents the legal expenses involved in connection with our Washington agents in the adjustment between ourselves and the United States Railroad Administration, which extends over quite a considerable period, about five years.

Mr. STEWART: How much did you say was involved?

Mr. HENRY: \$100,000.

Sir HENRY DRAYTON: Does that include the law costs of the Scribe Hotel?

Sir HENRY THORNTON: There is no answer to that—that is a joke. That includes the expenses which were incurred in handling our cases before the Interstate Commerce Commission and various other legislative bodies in Washington, with respect to adjustment which we finally made with the United

APPENDIX No. 5

States government, and which incidentally were highly satisfactory to us. We got out of it very, very satisfactorily.

The CHAIRMAN: Do you employ outside counsel in these cases?

Sir HENRY DRAYTON: I think the Grand Trunk claimed they had \$7,000,000 coming to them. How much came?

Major BELL: \$5,000,000, I think.

Sir HENRY THORNTON: We got off extremely well; we made a very satisfactory settlement.

Mr. COOPER: We got all we claimed with the exception of \$250,000.

Sir HENRY THORNTON: And I think we were one of the very few railways operating in the United States which got off as easily as that.

Mr. JONES: Where does the other \$100,000 come in?

Sir HENRY THORNTON: \$100,000 was due to the increase, which Mr. Henry has just explained. \$5,000 for services in connection with the D. W. & P.; \$8,200 was credited in 1922, covering a claim against the United States Railroad Administration for work done during the Federal control; there was a bill of \$12,000 with a firm of lawyers in Buffalo in connection with the case of the Niagara Arch Bridge Company, and I suppose the balance must have been a general increase in legal expenses, due to more active litigation. The largest lump sum that was paid out, though, was the \$100,000 to which I have just referred.

Major BELL: Probably there are more legal expenses this year, on account of the amalgamation. There were a great many extra things that had to be straightened out with respect to the subsidiary companies, and the relation to the parent company, which will disappear now.

The CHAIRMAN: Gentlemen, that brings us pretty well to the end of the railway operating expenses.

Mr. JELLIFF: I notice quite an increase in the Pension item, too.

Sir HENRY THORNTON: There was an increase of \$183,500. \$54,000 of this increase represents accrued pensions paid to ex-employees who had previously been denied pension on account of implication in the trainmen's strike in 1910, and who were restored to pension privileges in 1923. The other increase is due to the increased number of pensions and also to the fact that the rate of wages for the ten years used in computing was higher than the ten-year scale of wages paid in 1922.

Mr. STEWART: In item 455; there is a small item of insurance. What insurance is that?

Sir HENRY THORNTON: There was an increase of \$3,118.

Major BELL: That represents—we took over the insurance business ourselves and do all the insurance, where a good deal of that work was done by outside companies. There would be a little extra cost of handling that to the railway company, that is direct charges, as compared with what it was before. It would be hidden in the premiums before.

Sir HENRY DRAYTON: That is hardly right; your situation is this: Your accounts look as though your own insurance is costing more than it did before, but it is not. The real situation is that before, you had no insurance on the government lines at all. Now you are providing an insurance fund for everything, so that while the account looks bigger there, you are saving money on the insurance.

Major BELL: Yes. The insurance that was out, we would have less cost per thousand appearing in this item.

Sir HENRY DRAYTON: Although the aggregate is bigger, the cost per thousand is less?

14-15 GEORGE V, A. 1924

Major BELL: Yes. The net saving on the whole thing is about \$1,250,000.

The CHAIRMAN: What shall we proceed with on Monday? What more do you wish to take up except the estimates?

Sir HENRY DRAYTON: I have been given the information regarding the two items I was speaking about, so I have nothing more.

The CHAIRMAN: Does any member wish to take up anything else besides the estimates?

Mr. STEWART: That is satisfactory to me. I think I have asked all the questions I wish to ask regarding the report.

The CHAIRMAN: Shall we consider the examination of the report tentatively completed?

Mr. STEWART: With the exception of some items which are still in the hands of the officials.

The Committee adjourned.

COMMITTEE ROOM 231,

HOUSE OF COMMONS,

MONDAY, June 30, 1924.

The Select Standing Committee on National Railways and Shipping met at 11:00 o'clock a.m., Mr. W. D. Euler, M.P., Chairman, presiding.

The CHAIRMAN: Gentlemen, we have a quorum. Before going on with the estimates I think we have a few reports which were to be brought in. What were those?

Sir HENRY DRAYTON: Advertising and Capital Account. I might say that the capital account I have already done and I can save time there.

The CHAIRMAN: You have that?

Sir HENRY DRAYTON: Yes. I asked for information as to new construction.

The CHAIRMAN: You have been supplied with that?

Sir HENRY DRAYTON: Yes, and I will give it to the Committee. Just follow these figures, Mr. Henry, and see if they are correct. The first is the Long lac cut off. The mileage there is 30; the expenditures during the year 1923 were \$2,160,241.67. There had been spent on that work prior to the year 1923 \$16,866.65, and since then, in the year 1924, the expenditures have amounted to \$194,925.39, making a total expenditure on the Long lac cut-off of \$2,372,033.71. That is the total cost. Of course, what we are really interested in are the expenditures for the year 1923, but I think it is useful to know the total cost which was, as I have already stated, for the year 1923, \$2,160,241.67. Have you followed those figures, Mr. Henry?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: Are they right?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: I might point out that gives us some idea of the cost of railroading, Mr. Chairman. We spent that amount through territory where right of way is not very expensive. The only charge for land for transportation being \$2,689.80. The cost of bridges, trestles and culverts not being very heavy, amounting to \$182,284.63, and it works out to a cost of about \$79,000 per mile, including, of course, the necessary yardage.

The CHAIRMAN: How much a mile?

Sir HENRY DRAYTON: \$79,000 per mile. We have included the yards at either end, so that the cut-off could be used.

[Mr. Henry.]

APPENDIX No. 5

Sir HENRY THORNTON: Still that would not distort the general figure, because in the general railroad construction work you have to include something for yards, so that might be regarded as a fair idea of mileage costs.

Sir HENRY DRAYTON: That is what I thought. I pointed to that because there is a yard at both ends, but, as you say, that is something which would have to be built anyway.

Sir HENRY THORNTON: Yes. Another thing; I think that was very favourable ground for railroad construction. (To Mr. Brown) Would that not be?

Mr. BROWN: Yes, Sir Henry (Thornton).

Sir HENRY DRAYTON: That is what I thought. It is fairly favourable. Of course, that also includes the shops in the yards.

Sir HENRY THORNTON: There again you would have to have something for that.

Sir HENRY DRAYTON: Sure; it is a quarter of a million dollars for shops and engine houses. Perhaps it would be interesting to have the whole statement on the notes.

The CHAIRMAN: That may be done.

(Whereupon the following statement was offered and admitted and ordered to be made a part of this record, being in words and figures as follows, to wit:)

LONGLAC CUT-OFF

Expenditures, Year 1923

Account	Amount
1. Engineering.. . . .	\$ 61,172 03
2. Land for transportation.. . . .	2,689 80
3. Grading.. . . .	740,623 24
6. Bridges, Trestles and Culverts.. . . .	182,284 63
8. Ties.. . . .	97,128 09
9. Rails.. . . .	260,726 13
10. Other Track Material.. . . .	48,187 92
11. Ballast.. . . .	42,985 22
12. Track-laying and Surfacing.. . . .	97,947 48
15. Crossings and Signs.. . . .	133 36
16. Station and Office Buildings.. . . .	37,900 92
17. Roadway Buildings.. . . .	63,039 67
18. Water Stations.. . . .	55,508 77
19. Fuel Stations.. . . .	20,618 81
20. Shops and Engine Houses.. . . .	250,541 48
26. Telegraph and Telephone Lines.. . . .	17,160 88
47. Unapplied construction.. . . .	80,507 03
77. Other Expenditures—general.. . . .	101,086 21
Total.. . . .	\$2,160,241 67
Expenditures prior to 1923.. . . .	\$ 16,866 65
“ year 1923.. . . .	2,160,241 67
“ January 1, 1924, to May 31, 1924	194,925 39
Total Expenditure.. . . .	\$2,372,033 71

Sir HENRY THORNTON: As a further indication, we do not think that the contractor made any money; in fact we feel confident that the contractor lost money on this.

14-15 GEORGE V, A. 1924

Sir HENRY DRAYTON: There was some constructing done, I think, by the System? I think you laid your own rails, and the grading work was done by the contractor?

Sir HENRY THORNTON: I just wanted to assure you that those figures do not include any excessive profit for the contractor, because it is doubtful if he did very well with it.

Sir HENRY DRAYTON: There is another matter of new construction about which I confess I do not know. There is a line being built from Hardwood Ridge to Minto Mines. The construction there is 4.9 miles. The amount expended in the year 1923 was \$111,629.33; in the year 1924 the work was finished at a cost of \$49,886.68, or a total cost of \$161,516.01. That works out on a much lower basis, but there was nothing to be done at either end. I will also file this statement.

(Whereupon the said statement was offered and admitted, ordered made a part of this record, and is in words and figures as follows, to wit:)

HARDWOOD RIDGE TO MINTO MINES

Expenditures, Year 1923

Account	Amount
1. Engineering.. . . .	\$ 7,628 72
2. Land.. . . .	1,828 92
3. Grading.. . . .	35,333 83
6. Bridges, Trestles and Culverts.. . . .	18,089 63
8. Ties.. . . .	7,737 28
9. Rails.. . . .	8,898 73
10. Other Track Material.. . . .	8,886 48
11. Ballast.. . . .	5,425 03
12. Track Laying.. . . .	14,030 01
13. Fences.. . . .	3,771 20
	<hr/>
	\$111,629 33
Expended 1924.. . . .	49,886 68
	<hr/>
	\$161,516 01

Sir HENRY THORNTON: There is another obvious reason there, too; that is merely a siding to reach certain coal mines, and was, therefore, constructed in a much cheaper fashion and on a much lower standard than would be possible for main-line construction.

Sir HENRY DRAYTON: Yes, and there is only \$1,800 for right of way. The land was very cheap. The bridges and trestles were also very low, some \$18,000. That works out at \$32,942 per mile. I do not think, however, that could be looked upon as fair cost of construction.

Mr. STEWART: Where is that?

Sir HENRY DRAYTON: The Minto Mines in Nova Scotia——

Mr. KYTE: No, New Brunswick.

Sir HENRY THORNTON: You can see that the cost of railway construction is trebling; you, at one time, could build pretty well for \$25,000 a mile, whereas now it costs about \$75,000 a mile, and in some cases you are lucky to get off with that.

Mr. MILNE: Would this be a fair basis for prairie construction?

Sir HENRY THORNTON: This last one?

The CHAIRMAN: The \$75,000.

APPENDIX No. 5

Mr. MILNE: The \$75,000.

Sir HENRY THORNTON: I think that should be about right.

Sir HENRY DRAYTON: You have practically no bridge work there. I should think about \$60,000.

Sir HENRY THORNTON: You would probably have less grading to do, and a better foundation. I should think \$75,000 would be excessive.

Mr. BROWN: And the construction of structures and yard branches is less in the West; we use lighter rails.

Sir HENRY THORNTON (to Mr. Brown): Perhaps you can answer this in a general way. What do you think prairie construction would average?

Mr. BROWN: Probably \$40,000 to \$50,000 per mile.

Sir HENRY DRAYTON: We had it as cheap as \$15,000 in the old days. I think a fair indication of that would be the Grand Trunk Pacific. My recollection is that was \$60,000 per mile. (To Major Bell) Is that right, Major Bell?

Major BELL: It will go over that with interest.

Sir HENRY DRAYTON: That I think is a good example of what an expensive line used to be in the olden days. Just tracing money into it, I think it was \$60,000 per mile; without the interest; with interest it would run up a great deal more.

Mr. BROWN: That was low-grade main-line construction.

Sir HENRY DRAYTON: If you take that as a basis it would be very heavy for all work, but at that time their branches, I think, Major, were \$28,000.

Major BELL: \$28,000, yes.

Sir HENRY DRAYTON: For the Grand Trunk Pacific branch lines?

Major BELL: Yes.

Sir HENRY DRAYTON: That is the only construction through that line.

Mr. HENRY: Yes.

The CHAIRMAN: Is that all on that line? What was the other? Advertising?

Sir HENRY THORNTON: In advertising last year—or I will put it this way: the advertising account for last year represents the sum of \$1,063,784.75. Of that amount, however, \$275,122.94 was paid for in transportation, so that the actual cash outlay for advertising last year was represented by \$789,000. With respect to the item of \$275,000 which was payment in transportation for advertising: That ought not to be regarded as costing the company actually anything, or substantially anything. For this reason. We are almost certain that a newspaper man or proprietor who travelled on that transportation did not add anything to the cost of the company. That is to say, we did not have to put on any extra cars, or did not have to run an extra train, or anything of that sort. When a passenger train is running it makes no difference in the cost to the company whether there are ten people or two hundred in it; it only begins to cost the company more money when the train becomes so crowded that you have to turn away business, or run a second section—

Sir HENRY DRAYTON: Or put on an extra car? I think there is a difference between ten people and two hundred people, Sir Henry (Thornton). I don't think you want to leave it there.

Sir HENRY THORNTON: If we had to put on an extra car there would be some additional cost, but anyway, in so far as that particular item is concerned, I do not believe it added very appreciably—perhaps, to some extent, but certainly not appreciably—to the expenses of the company. It is probably fair to say that individuals who travelled on that character of transportation would

not have travelled had they not been travelling free. In some cases they might have, but probably seventy-five per cent represents travel which would not have occurred unless the individual was in a position to travel free, so it must not be taken, and should not be taken, that this item of \$275,000 actually involved anything like that expense to the company.

Hon. Mr. GRAHAM: Is that advertising divided between newspaper advertising and poster advertising?

Sir HENRY THORNTON: I will give you the details of that. I was merely making that general statement showing that of the total amount named of \$1,063,784.75, or practically \$1,100,000, \$790,000 was actually cash paid out, and the balance represented in transportation. Now, of the actual amount paid out in cash, \$84,556 represented newspaper advertising in Canada. I will only give you the round figures. One hundred and one thousand dollars represented newspaper advertising in the United States. You may quite properly say there, "Why do you spend more money in the United States than in Canada for newspaper advertising?" Simply because there are more people in the United States. We draw a very large percentage of our tourist traffic from the United States, the country is bigger and you have more cities to reach, and it involves a larger expense by some \$17,000, than it does in Canada; you are dealing with a population of over 100,000,000 on the one hand, and about 9,000,000 on the other.

There was \$10,190 magazine advertising in Canada; \$30,000 magazine advertising in the United States; \$19,000 wall maps. Those are the maps of the Canadian National Railway System which are about three feet long and maybe two feet wide, which represents a map of Canada with the Canadian National Railways System. These are sent out to different offices, manufacturing concerns, and so on, to hang on their walls. It is a form of advertising.

Mr. STEWART: They would be usually distributed in Canada?

Sir HENRY THORNTON: No, a great many of them have gone to the United States. I do not know what the proportion would be, but if you go into many hotels or offices in the United States you will find one of our maps. I personally took about fifty down to Pittsburgh and distributed them in certain offices, to see they were suitably displayed. Four thousand five hundred dollars for tourist posters: miscellaneous printing, \$27,000, special publications, \$95,000. I will put it this way. Pictures for gratuitous distribution, \$1,803. Those are pictures of Jasper Park and places of that sort hung in hotels and offices. Miscellaneous printing, \$27,000; special publications, \$95,000. (To Mr. Thompson). What would that mean?

Mr. THOMPSON: Tourist posters.

Sir HENRY THORNTON: Photographic Department, \$15,000. (To Mr. Thompson). Will you explain that?

Mr. THOMPSON: We have our own photographic department, and that is the net cost to the company after collecting such charges as we may for work of the photographic department. It works for all of the department of the railways, and makes the bromides and other things you see on the walls; it is our general photographic work.

The CHAIRMAN: Would salaries be included in that?

Mr. THOMPSON: We can give you the details of that. That is the total cost, including salaries.

Sir HENRY THORNTON: Frames for pictures for gratuitous distribution, \$7,900; frames for special tourist posters, \$1,200; exhibitions in Canada, \$21,000. That includes what we would spend on the Toronto Exhibition and various exhibitions where we may be represented in Canada.

APPENDIX No. 5

The CHAIRMAN: Gentlemen, do you think it wise or desirable to put this all in the record?— I have no objection to it, but it appears to be somewhat unnecessary. However, if the Committee is satisfied, go ahead.

Sir HENRY THORNTON: I do not think there is any objection to these particular things. There are some of the details which one might ask a certain reservation about.

Express, \$1,486.

Mr. THOMPSON: That was express charges on pictures sent out, folders, etc.

Sir HENRY THORNTON: Duty, \$2,330. That would be duty on various things sent to the United States.

Mr. THOMPSON: Folders and timetables.

Sir HENRY THORNTON: Engraving and art, \$11,000.

Mr. THOMPSON: That is in connection with preparations for our special publications.

Sir HENRY THORNTON: Mat stories—(To Mr. Thompson). What is that?

Mr. THOMPSON: The correct word is "Matrix". It is in sheet form for distributing illustrations or typed matter—

Major BELL: For the stereotypers.

Mr. THOMPSON: For people who do their own casting.

Sir HENRY THORNTON: Mat stories, \$1,655. Salaries, \$52,000; travelling expenses, \$5,786.94; lectures, \$8,557.54; motion picture films, \$2,924; equipment train, London-Toronto, \$1,649. (To Mr. Thompson). What was that?

Mr. THOMPSON: That was a special train run to show the character of our new equipment. We took it from the Toronto Exhibition to London and some other points.

Sir HENRY DRAYTON: What was the amount for that train—how much?

Sir HENRY THORNTON: \$1,650.

Mr. THOMPSON: That was taken from the Toronto Exhibition to London and some other points.

Sir HENRY THORNTON: This represents the amount of money spent on overseas advertising, Australian advertising, \$2,522; Oriental advertising, \$1,764; Canadian exhibition train in France and l'Orangerie, \$35,000; British Empire Exhibition, \$5,800—

Mr. THOMPSON: That was 1923.

Hon. Mr. GRAHAM: Yes, that would be just the preparatory work.

Sir HENRY THORNTON: European traffic organization advertising, \$79,000; reorganization—before we take that up, I will say that that \$79,000 represents practically entirely advertising in the United Kingdom—reorganization expense, \$800; (To Mr. Thompson). What is this "Chinese-Montreal"?

Mr. THOMPSON: That is Chinese advertising in Montreal. We advertised in the Chinese papers.

Sir HENRY THORNTON: \$1,500. Then there was the item which I referred to a moment ago of \$275,000 for transportation: costs of folders, timecards, etc., \$107,486.04. Then there is an item of \$36,300 which represents a balance, including cost of representation in other official guides and differences between transportation issued as shown on statement, and actual tickets honoured as audited.

Sir HENRY DRAYTON: What was that amount?

Sir HENRY THORNTON: \$36,300. That represents the combination in the total sum I gave you of \$1,064,000.

Sir HENRY DRAYTON: You gave that in round figures?

14-15 GEORGE V, A. 1924

Sir HENRY THORNTON: Yes. I can file this giving the actual figures in cents.

The CHAIRMAN: That may be done.

(Whereupon the said statement was offered and admitted, ordered made a part of this record, and is in words and figures as follows, to wit:)

ADVERTISING ACCOUNTS		Expenditure 1923
1923		
Newspaper Advertising—Canada—See Statement "A"	\$	84,456 37
Newspaper Advertising—U.S.		101,025 12
Magazine Advertising—Canada		10,189 11
Magazine Advertising—U.S.		29,996 19
Printing Wall Maps		19,126 86
Printing Special Tourist Posters		4,484 51
Pictures for Gra. Distribution		1,803 43
Miscellaneous Printing		27,099 27
Special Publications		95,086 31
Photographic Department		15,173 66
Frames for Pict. for Gra. Distribution		7,882 68
Frames for Special Tourist Posters		1,244 45
Exhibitions—Canada		21,091 77
Miscellaneous Expenses		12,261 35
Express		1,486 03
Duty		2,330 88
Engraving and Art		10,904 74
Mat Stories		1,655 68
Salaries		52,395 16
Travelling Expenses		5,786 94
Lectures		8,557 54
Motion Picture Films		2,924 70
Equipment Train—London-Toronto		1,649 97
<i>Overseas</i>		
Australian Advertising		2,522 10
Oriental Advertising		1,764 11
Canadian Exhibition Train in France and l'Orangerie		34,339 08
British Empire Exhibition		5,894 94
European Traffic Organisation		78,815 26
Reorganization Expense		839 63
Chinese—Montreal		1,508 00
Transportation—See Statements "B" and "C"		275,122 94
Cost of Folders, time cards, etc.—See Statement "D"		107,486 04
Balance, including cost of representation in other Official Guides and differences between transportation issued as shown on statement, and actual tickets honoured as audited		36,279 93
		<hr/>
		\$1,063,784 75

Sir HENRY DRAYTON: Then with these other items, this makes a sum total, for stationery, printing and advertising, of two million six hundred odd thousand dollars.

Sir HENRY THORNTON: There is another item of stationery and printing amounting to \$1,723,300. That, however, represents work which was practically

APPENDIX No. 5

all let on tender. Well, an item like "\$47" which I see to the Cambridge Press would not be on tender, but the great bulk of the stationery and printing is let by the Purchasing Agent on tender.

Sir HENRY DRAYTON: How much of that is stationery, and how much printing?

Sir HENRY THORNTON: I do not know whether I can tell that. Yes, I can too. "Printing in Canada, \$975,423; stationery in Canada, Wages of Stationery Department and office expenses, \$486,596. Stationery and printing in the United States, \$261,281. Substantially all of that is let on tender, and the great bulk of it has gone to job printers as distinguished between newspapers. The other item to which I referred, newspaper advertising, of course, is straight payments to newspapers. This sum, however, represents money paid to, I believe what are called in the profession, "Job printers", and it includes envelopes, stationery, the various forms; in fact, all of the paper work which is used in the company and its business.

Sir HENRY DRAYTON: Envelopes, I think, would be under that item of \$486,000—not under the item of "Printing."

Sir HENRY THORNTON: Yes, of course it would. That is what I meant to say.

Sir HENRY DRAYTON: You were speaking of printing——

Sir HENRY THORNTON: I said printing and stationery——

Sir HENRY DRAYTON: Take "Printing". Of what does that consist—that \$975,000?

Sir HENRY THORNTON: That would consist of forms, printing on envelopes, general printing work. (To Mr. Thompson). Can you describe it more in detail?

Mr. THOMPSON: It includes printing of all kinds for the Transportation Department. That is, all bills, notices of every character; the same for the Maintenance of Way Department; all character of printing for the Traffic Department, including a great amount of tariff work; a large amount of printing for the Transportation Department, and a very large amount of general printing covering all departments. It is the whole field of printing.

Sir HENRY THORNTON: It represents \$72,000 less than for 1922.

Mr. THOMPSON: And includes, of course, all characters of tickets.

Sir HENRY DRAYTON: Have you any objection to letting us know who does that printing?

Sir HENRY THORNTON: That is covered by a long list, Sir Henry (Drayton). I have no objection to any member of the Committee taking this list and examining it and asking any questions he likes, but I would rather not put it on the record. I have not the slightest objection to furnishing this to the Committee to examine in any way they please, but it is work that was let on tender——

Sir HENRY DRAYTON: The tender figures would not be essential. The bulk amount would do no harm. What about the total of the advertising item of \$1,063,000? Have you a similar list here?

Sir HENRY THORNTON: Yes, I have a similar list here. I have the amount paid each newspaper, and I have no objection to its being treated in the same way.

The CHAIRMAN: Does that complete the subject?

Sir HENRY DRAYTON: We might have some questions arising out of it afterwards.

The CHAIRMAN: Is the Committee satisfied?

14-15 GEORGE V, A. 1924

Sir HENRY DRAYTON: As to the passenger business, Sir Henry (Thornton): What is the passenger ratio?

Sir HENRY THORNTON: How much of this is spent on passengers—

Sir HENRY DRAYTON: No. Take the passenger business: What is the earnings of the rate in connection with passenger cost against receipts?

Sir HENRY THORNTON: What is that?

The CHAIRMAN: Are you quite through with advertising?

Sir HENRY DRAYTON: No; it has to do with these free passes.

Sir HENRY THORNTON: Our passenger receipts in 1923 were \$39,285,382.

Sir HENRY DRAYTON: I want to get at what your pro rata passenger train expenses are with a view of seeing what your operating ratio is in the passenger business.

Sir HENRY THORNTON: I don't quite get that. Your question really is designed to answer this question: Does or does not the passenger business pay.

Sir HENRY DRAYTON: And to what extent.

Sir HENRY THORNTON: I cannot give you those figures offhand. I would have to go into that, but I can say to you generally that I do not think we make any money on the passenger business as it stands to-day.

Sir HENRY DRAYTON: I don't think you do.

Sir HENRY THORNTON: And to a large extent that is due to certain unremunerative services, which necessarily must be maintained, and you cannot get away from that. I think if you asked any railroad man on the North American continent, he would either say the passenger business did not pay, or if it did pay, it certainly did not anything like the percentage which his freight business pays. In other words, the passenger business—excepting when you are dealing with large concentrations of people, such as suburban business at Chicago or New York—does not pay; the general feeling of the railway industry is that the passenger business is not a source of profit.

Sir HENRY DRAYTON: Excepting where you have the long haul.

Sir HENRY THORNTON: The passenger business which does pay, and it is the only business which is profitable, is the suburban business in such cities as Chicago, New York, and London. There it becomes quite profitable for the very simple reason that you are always able to load your train.

Sir HENRY DRAYTON: What do you say about Montreal?

Sir HENRY THORNTON: We may make something out of it.

Sir HENRY DRAYTON: And what about Toronto?

Sir HENRY THORNTON: Yes, but nothing like the same proportion that we would around New York or London.

Sir HENRY DRAYTON: The only reason I asked that is because in the Commuters' Rate Case, which we had before the Board, the attitude of the railways was somewhat different; they said they lost money.

The CHAIRMAN: We can segregate that, and I should say that the suburban passenger business in Montreal and Toronto is a field which ought not to be neglected, and I believe some day will be profitable, depending on how rapidly the cities grow.

Sir HENRY DRAYTON: You have some figures which give information, in connection with the railway-passenger-train-mile-cost, car cost, and the operating ratio.

Sir HENRY THORNTON: Is that something you want us to get?

Sir HENRY DRAYTON: Mr. Henry can get that very readily. I may say that down on the Intercolonial, when Mr. Gutelius was there, we had some pretty

APPENDIX No. 5

good cost sheets gotten out; I do not know whether they were really accurate, but they went a long way in describing conditions, and they gave a full picture of all these passenger conditions.

Sir HENRY THORNTON: It is extraordinary how cheaply you can haul passengers and make money if you are sure you can load your trains. The Great Eastern Railway in England, which perhaps did the largest suburban business of any railway in the world, made money on the suburban business at a very low passenger-mile-rate because the trains were not only filled, but packed to the roof.

Sir HENRY DRAYTON: I have been on them. You travel with a minimum of comfort and a maximum of profit to the line.

The CHAIRMAN: Are you ready to proceed with the estimates?

Sir HENRY THORNTON: Mr. Harris asked some questions about compensation. Shall I just file this statement?

Sir HENRY DRAYTON: Yes, put it in with the record.

The CHAIRMAN: Yes, it may be filed.

(Whereupon the said statement was offered and admitted, ordered made a part of this record, and is in word and figures as follows, to wit:)

COMPARISON OF SCALES OF COMPENSATION UNDER THE WORKMEN'S COMPENSATION ACTS, ETC., OF THE DIFFERENT PROVINCES OF CANADA

IN CASE OF DISABILITY—COMPENSATIONS (PLUS COST OF MEDICAL AID) ALLOWED

Percentage of average earnings on which compensation is based.

British Columbia, 62½ per cent medical aid.

Alberta (Accident Fund), 55 per cent medical aid.

Manitoba, 66⅔ per cent medical aid.

Ontario, 66⅔ per cent medical aid.

Quebec, 50 per cent (25 per cent of 50 per cent over \$1,000 up to \$1,500).

New Brunswick, 55 per cent medical aid.

Nova Scotia, 55 per cent medical aid.

Saskatchewan, lump sum not exceeding three years earnings or \$2,000 whichever is the larger, limited to \$2,500 (no medical aid).

Prince Edward Island, no Workmen's Compensation Act.

Maximum average earnings considered

British Columbia, \$2,000 per annum, medical aid.

Alberta (Accident Fund), \$2,000 per annum, medical aid.

Manitoba, \$2,000 per annum, medical aid.

Ontario, \$2,000 per annum, medical aid.

New Brunswick, \$1,500 per annum, medical aid.

Nova Scotia, \$1,200 per annum, medical aid.

Saskatchewan, lump sum, not exceeding three years earnings of \$2,000 whichever is the larger, limited to \$2,500—maximum \$2,500—Maximum \$2,500 (no medical aid).

Quebec, \$1,000, 50 per cent. Surplus to \$1,500—25 per cent (no medical aid).

Prince Edward Island, no Workmen's Compensation Act.

Minimum Compensation allowed—unless earnings are less than the amount of earnings.

British Columbia, \$5.00 per week.

Alberta (Accident Fund), \$10.00 per week.

Manitoba, \$15.00 per week.
 Ontario, \$12.50 per week.
 New Brunswick, \$6.00 per week.
 Nova Scotia, \$5.00 per week.
 Saskatchewan, nil (no medical aid).
 Quebec, \$4.00 per week (for partial) no medical aid.
 Prince Edward Island, no Workmen's Compensation Act.

NOTE: Right of action under Common Law (certain common law defences abrogated) still prevails in Saskatchewan and Prince Edward Island, and also Alberta in connection with most of the operating employees of the railway who are specified as excepted from the Accident Fund Act of Alberta.

IN CASES OF DEATH

Burial Expenses and Medical Aid

British Columbia, \$100 and cost of medical aid.
 Alberta (Accident Fund), \$100 and cost of medical aid.
 Manitoba, \$150 and cost of medical aid.
 Ontario, \$125 and cost of medical aid.
 Nova Scotia, \$75 and cost of medical aid.
 New Brunswick, \$100 and cost of medical aid.
 Saskatchewan, nil (no medical aid).
 Quebec, \$50 (covers also medical aid).
 Prince Edward Island, nothing.

COMPENSATION TO WIDOW OR INVALID WIDOWER, WHEN LONE DEPENDENT.

Monthly Allowance

British Columbia, \$35 per month.
 Alberta (Accident Fund), \$35 per month.
 Manitoba, \$30 per month.
 Ontario, \$40 per month.
 Nova Scotia, \$30 per month.
 New Brunswick, \$30 per month.
 Saskatchewan, lump sum not exceeding three years earnings or \$2,000, whichever is larger, not exceeding \$2,500.
 Prince Edward Island, Common Law.
 Quebec, see below special clauses.

COMPENSATION TO LONE WIDOW OR INVALID WIDOWER AND CHILDREN.

Monthly Allowance

British Columbia, \$35 to widow and \$7.50 to each child—total allowed \$65 per month.
 Alberta (Accident Fund), \$35 to widow and \$7.50 to each child—total allowed \$65 per month.
 Manitoba, \$30 to widow and \$7.50 to each child, no limit as to number of children, but total limited to $66\frac{2}{3}$ average earnings.
 Ontario, \$40 to widow and \$10 to each child, no limit as to number of children—limit $66\frac{2}{3}$ per cent average earnings.
 Nova Scotia, \$30 to widow and \$7.50 to each child—total allowed \$60 per month.
 New Brunswick, \$30 to widow and \$7.50 to each child—no limit to number of children—limit 55 per cent of average earnings.

APPENDIX No. 5

Saskatchewan, lump sum not exceeding three years earnings or \$2,000 whichever is larger not exceeding \$2,500.

Prince Edward Island, Common Law.

Quebec, special clauses, see below.

WHERE CHILDREN ONLY DEPENDENTS

Monthly Allowances

British Columbia, \$12.50 to each child, limited to \$50 per month.

Alberta (Accident Fund), \$12.50 to each child, limited to \$50 per month.

Manitoba, \$15 to each child, no limit to number of children but to be limited to $66\frac{2}{3}$ per cent of average earnings.

Ontario, \$15 to each child—no limit to number of children but total limited to $66\frac{2}{3}$ per cent of average earnings.

Nova Scotia, \$15 to each child—limited to \$60 in all.

New Brunswick, \$7.50 to each child—no limit to children, but limited to 55 per cent of average earnings.

Saskatchewan, lump sum not exceeding three years earnings or \$2,000, whichever is larger not exceeding \$2,500.

Prince Edward Island, Common Law.

Quebec, special clauses, see below.

WHERE DEPENDENTS ARE OTHER THAN WIDOW, WIDOWER OR CHILD.

British Columbia, reasonable expectation of length of dependency limited to \$45 in all.

Manitoba, reasonable expectation of length of dependency limited to \$40 in all.

Alberta (Accident Fund), reasonable expectation of length of dependency limited to \$65 in all.

Ontario, reasonable expectation of length of dependency limited to $66\frac{2}{3}$ per cent of average earnings.

Nova Scotia, reasonable expectation of length of dependency limited to \$45 in all.

New Brunswick, reasonable expectation, limited to 55 per cent of average earnings.

Saskatchewan, lump sum not exceeding three years earnings or \$2,000 whichever is larger, not exceeding \$2,500.

Prince Edward Island, Common Law.

Quebec, see below, special clauses.

WHERE WIDOW MARRIES AGAIN

British Columbia, two years compensation not exceeding \$480.

Alberta (Accident Fund), two years compensation not exceeding \$480.

Manitoba, two years compensation.

Ontario, two years compensation.

Nova Scotia, \$20 per month for 25 months.

New Brunswick, two years compensation.

Saskatchewan, nil.

Prince Edward Island, nil.

Quebec, nil.

SPECIAL CLAUSES

In Ontario.—The dependent widow (or foster-mother) is allowed a lump sum in addition to all other compensation of \$100.

In Saskatchewan.—The Act provides for a lump sum not exceeding three years earnings, minimum \$2,000, maximum \$2,500, also right of action independent of Act in cases of negligence of employer.

In Quebec.—Compensation in case of death is four times the average yearly wages, minimum \$1,500—maximum \$3,000 apportioned between

- (1) Surviving consort
- (2) Children
- (3) Dependent ascendants

But Court may increase or decrease the compensation prescribed in accordance to whether accident was the result of "inexcusable fault" of employer or employee.

In Prince Edward Island.—No Workmen's Compensation—Common Law prevails.

In Alberta.—There are two Workmen's Compensation Acts—Workmen's Compensation Act Accident Fund—Workmen's Compensation Act 1908.

Under the Alberta Workmen's Compensation Act 1908, of workman killed leaving dependents wholly dependent on his earnings, compensation is a sum equal to three years earnings or \$1,000 whichever is larger, but not exceeding \$1,800.

If partial dependents only, such sum not exceeding above as may be agreed on or determined by arbitration to be reasonable and proportionate to injury.

If no dependents, reasonable expenses of medical attendance and burial not exceeding \$200.

In total and partial incapacity cases, the compensation is during incapacity not exceeding 50 per cent of average earnings—weekly payment not to exceed \$10 per week.

This Alberta Workmen's Compensation Act 1908 applies to the majority of the railways operating employees who are specifically excepted out of the Accident Fund Act, which employees can only be brought in under the Accident Fund Act, if they themselves see fit.

Sir HENRY THORNTON: Here is another statement of information asked for by Mr. Harris in regard to balances on hand with Workmen's Compensation organizations. I will file that too.

(Whereupon the said statement was offered and admitted, ordered to be made a part of this record and is in words and figures as follows, to wit:)

*Balances on hand with Workmen's Compensation Organizations, at
December 31, 1923*

Ontario Workmen's Compensation Board.. . .	\$1,176,187 41
Manitoba Workmen's Compensation Board. . .	49,055 96
Alberta Workmen's Compensation Board.. . .	8,631 01
Br. Columbia Workmen's Compensation Board	31,262 04
	<hr/>
	\$1,265,138 04

Sir HENRY THORNTON: Mr. Stewart asked some questions about the grain charters on the Great Lakes. We have that statement here. Shall I file it?

The CHAIRMAN: Yes.

APPENDIX No. 5

(Whereupon the said statement was offered and admitted, ordered to be made a part of this record, and is in words and figures as follows, to wit:)

CANADIAN GOVERNMENT MERCHANT MARINE, LIMITED
Grain Charters on Great Lakes, 1923

S.S. "Canadian Adventurer"

Chartered from May 7th to November 30th.

Trips 20. Bushels carried 2,119,527.

Earnings.. . . .	\$91,371 82
Disbursements.. . . .	78,809 40

Surplus.. . . .	\$12,562 42
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S.S. "Canadian Sower"

Chartered from May 13th to December 4th.

Trips 19. Bushels carried 1,939,071

Earnings.. . . .	79,676 91
Disbursements.. . . .	74,988 21

Surplus.. . . .	\$ 4,688 70
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The difference between the S.S. "Canadian Adventurer" and S.S. "Canadian Sower" is due to the former vessel making one trip more, getting better cargoes and also to the S.S. "Canadian Sower" having been chartered at a lower rate on the last two trips of the Season.

Sir HENRY THORNTON: Before I leave this subject, may I say a word about advertising? When you are exploiting a railroad in a new country you naturally have to spend more money in advertising in the initial years, than you may have to 25 years after that.

The CHAIRMAN: The first item in the estimates is on page 29, number 110, "To provide for the Purchase of Branch Lines; Moncton and Buctouche Railway—\$70,000; interest estimated from date of taking possession to March 31, 1925, not exceeding (including revote \$23,625) \$27,125."

Major BELL: That is a departmental vote carried from year to year. In explanation of that, the railroad was taken over some years ago, and as they got their bonds in we paid them a certain amount on account. There was a certain amount of bonds remaining unpaid, and we are holding that.

Several Hon. MEMBERS: Carried.

The CHAIRMAN: There is another at the bottom of page 29, "Port Nelson Terminals, Hudson Bay Railway, revote \$10,000, \$35,000."

Major BELL: That is a departmental vote also. We had between \$1,000,000 and \$2,000,000 worth of equipment at Port Nelson. We keep six men there who will make repairs if any are necessary, after storms, etc.

The CHAIRMAN: No real capital expenditure?

Major BELL: No.

Sir HENRY DRAYTON: In regard to the Hudson Bay, there is a tremendous difference of opinion. I think we had better pass all Hudson Bay matters with a query.

Major BELL: This is not the Hudson Bay Railway; it is simply the terminal at Port Nelson.

The CHAIRMAN: Then on page 31, a large item; No. 137, "Amount not exceeding \$56,000,000 to meet expenditures made or indebtedness incurred". The details are all given here. I do not suppose it is necessary to read these. Perhaps you may want to ask some questions as to how the money will be expended.

14-15 GEORGE V, A. 1924

Sir HENRY DRAYTON: Take the first one. How much is to be expended on interest on securities, and so forth.

The CHAIRMAN: "Interest on securities, notes and other obligations; also rentals for lease of lines" Have you the total of that, under "A", Mr. Henry?

Mr. HENRY: Under "A". \$18,745,639.

Sir HENRY DRAYTON: And for the year before?

Mr. HENRY: The year before was \$22,609,260.

Sir HENRY DRAYTON: How was the decrease brought about?

Mr. HENRY: Greater resources.

Sir HENRY DRAYTON: Those are interest on securities, notes and other obligations, also rentals for lease of lines?

Mr. HENRY: It means a greater revenue anticipated out of it—to meet a greater proportion—

Sir HENRY DRAYTON: In other words, you expect to be able to pay more on that account than you have before?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: What are the gross figures in each case?

Mr. HENRY: The gross from the resources this year is expected to be \$28,174,000.

Sir HENRY DRAYTON: You are speaking there of your resources?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: What are the gross items?

Major BELL: Will you read that summary of financial requirements and resources, together with the summary of proportionate capital expenditure requirements for the year ending March 31, 1925?

Mr. HENRY: In 1923 the total financial requirements was \$47,628,670.

Sir HENRY DRAYTON: That is 1923-1924?

Mr. HENRY: No, 1924-1925.

Sir HENRY DRAYTON: Then, for 1923-1924, what is the first item?

Mr. HENRY: I will have to look that up.

The CHAIRMAN: You mean, Mr. Henry, the amount you are asking for this year, \$18,000,000, is the difference between a total amount required and what you can supply out of revenue of the road?

Mr. HENRY: That is right.

The CHAIRMAN: (To Sir Henry Drayton) Do you want to wait for these figures now?

Sir HENRY DRAYTON: He will have them in a minute. It is all in the papers.

Mr. HENRY: I guess I will have to get that for you.

The CHAIRMAN: All right. Under "B": "Equipment Principal Payments, Sinking Fund, Miscellaneous Maturing or Matured Notes and Other Obligations Secured or Unsecured" have you the amount for that?

Mr. HENRY: The amount this year is \$5,867,633 as against \$8,507,699 last year.

Sir HENRY DRAYTON: Can you tell me the gross there too?

Mr. HENRY: I think that is the gross amount in both years.

Sir HENRY DRAYTON: Do you think that is right, because we have more equipment than we had?

Mr. HENRY: I beg your pardon.

APPENDIX No. 5

Sir HENRY DRAYTON: It would not look right on its face.

Mr. HENRY: That represents the amount taken care of out of the Budget.

Sir HENRY DRAYTON: But I am asking you as to the total obligation under that heading, before we deduct the earnings.

Mr. HENRY: There is no deduction in this, because this represents the amount taken care of other than through equipment trust.

Sir HENRY DRAYTON: The amount taken care of—

Mr. HENRY: Other than through Equipment Trust.

Sir HENRY DRAYTON: And of course you use up all Equipment Trust now?

Mr. HENRY: Yes. This really represents the 25 per cent in both cases.

Sir HENRY DRAYTON: This is 25 per cent, as against the old practice of 100 per cent; is that correct?

Mr. HENRY: That is correct.

The CHAIRMAN: Operating income deficit wherever incurred or—

Mr. HENRY: Last year it was \$10,400,000; this year it is \$1,467,138.

The CHAIRMAN: Any question on that? That is a very handsome reduction.

Sir HENRY DRAYTON: How much again?

Mr. HENRY: Last year it was \$10,400,000; this year it is \$1,467,138. This year "Construction Betterments" including co-ordination, acquisition of property, and so on, is \$29,119,588, as against \$33,033,040.

Sir HENRY DRAYTON: What is going to be done with that this year? I should have thought we would have been pretty well finished with that. What have you under that head?

Mr. HENRY: That includes all the miscellaneous items, building of trestles and new rails and so on.

Sir HENRY DRAYTON: Is that in these notes that you supplied me with the supporting statements?

Mr. HENRY: That is the corresponding figure for this year.

Sir HENRY DRAYTON: In the statements supporting the statements made by the Minister and laid on the table?

Mr. HENRY: Yes. That is only last year.

Sir HENRY DRAYTON: Do you remember what page that is on?

Mr. HENRY: It is on page 16, away along towards the end.

The CHAIRMAN: That is a total of \$56,000,000?

Mr. HENRY: Yes.

Sir HENRY DRAYTON: We have a long list there. Have you a similar list for this year?

Mr. HENRY: We have the details, yes. They are included in this volume here. The miscellaneous item includes a hundred and one things that have to be done.

Sir HENRY DRAYTON: Does that include, for example, the cost of work in the western region?

Mr. HENRY: Everything.

Sir HENRY DRAYTON: And the eastern region, and all the regions? Does that include work on the Grand Trunk western?

Mr. HENRY: It includes every charge to capital for betterments.

Sir HENRY DRAYTON: What were our betterments for the Grand Trunk Western this year?

Mr. BROWN: \$2,952,481 for 1924. That is what we propose to spend.

Sir HENRY DRAYTON: How much did you spend last year?

Mr. BROWN: What we proposed to spend last year was \$2,631,465.

Sir HENRY DRAYTON: Was that spent last year?

Mr. BROWN: Practically all of that.

Sir HENRY DRAYTON: What were the figures for this year?

Mr. BROWN: \$2,952,481. Those are the lines west of Detroit, between Detroit and Chicago.

Sir HENRY DRAYTON: How is the work on the grade separation at Detroit coming on? We are going to do it this year.

Mr. BROWN: We are going to expend a certain amount on that. It is over a five or six year period.

Sir HENRY DRAYTON: How much will we have to spend this year?

Mr. BROWN: I think it is around \$500,000.

Sir HENRY THORNTON: That is mostly for property purchase.

Sir HENRY DRAYTON: There was a scheme at one time in connection with that involving an expenditure of \$9,000,000. Has that been reduced?

Mr. BROWN: The total cost is less than that.

Sir HENRY DRAYTON: How much? Have you the total cost down to now?

Mr. BROWN: My remembrance is that it is about \$5,000,000.

Sir HENRY THORNTON: That is right.

Major BELL: And that is divided up; that is not the cost to the railway.

Sir HENRY DRAYTON: How much is the cost to the railway?

Major BELL: About \$2,500,000, I think, to the railway, spread over six years.

Mr. BROWN: \$3,000,000 is my remembrance.

Sir HENRY DRAYTON: What about the new bridge? Is that a big bridge you are building at the Fenton Road, Flint?

Mr. BROWN: No, that is a subway; only about a \$40,000 proposition.

Sir HENRY DRAYTON: There is another grade separation at South Bend?

Mr. BROWN: Yes.

Sir HENRY DRAYTON: How much is that one?

Mr. BROWN: All it is involving just now is the purchase of some property. The total cost of that grade separation is also line revision through the city of South Bend; it is about \$5,000,000.

Sir HENRY THORNTON: When will that have to be done?

Mr. BROWN: It is to be undertaken starting this year, in the acquisition of property.

Sir HENRY THORNTON: It is to be commenced within three years, I think, and finished within five years.

Sir HENRY DRAYTON: Is that an order of the Commission?

Sir HENRY THORNTON: No, that was an arrangement made with the city of South Bend. Are you familiar with the position there?

Sir HENRY DRAYTON: Not as familiar as I am with Detroit.

Sir HENRY THORNTON: Do you remember the situation of the New York Central at Syracuse?

Sir HENRY DRAYTON: Yes.

Sir HENRY THORNTON: It is very much like that, only South Bend is a smaller city. We run straight down the middle of one of the principal streets

APPENDIX No. 5

of South Bend, and the position has become almost intolerable. South Bend is a very large manufacturing city; the Studebaker automobile works, the Oliver Chilled Plow people and other agricultural implement manufacturers are there, as well as several other large manufacturing concerns. It originates a very large and lucrative character of traffic, and we have been suffering considerably in South Bend through our inability to secure what we feel to be our fair proportion of that business. In fact, due to our failure to take active steps to remedy the position, we were labouring under a great disability and had a very unfortunate reputation in the city. So there were two reasons for taking our tracks off the streets. First, because it was throttling the growth of the city and creating conditions of great danger, and operating difficulties, so from purely a railway point of view we had to get off.

Mr. STEWART: How did that condition originate?

Sir HENRY THORNTON: In the same way most of them originated. When the railways were first built in the United States and Canada, the United States in particular, the towns as they were then which did not have railway facilities were extremely anxious for the railway to come to that particular town, and very often the railways were invited to run their trains and their tracks down the main street of the city. Whenever a train came through, the entire population went out to enjoy the spectacle. In other words, the railway was a welcome visitor. In time these cities increased in population and in manufacturing importance, and what 40 or 50 years ago was something which the towns delighted in eventually became a nuisance, and then came demands for grade separations and new stations and all that sort of thing, and that is more or less the typical situation in most large American cities.

Sir HENRY DRAYTON: How much of that \$5,000,000 is the city to pay?

Mr. BROWN: About \$1,000,000. The proportion is between \$750,000 and \$1,000,000, and the railway pays the balance.

Sir HENRY DRAYTON: How much do we pay, in concrete figures, out of the estimated \$5,000,000?

Mr. BROWN: My remembrance is about \$1,200,000, and the city pays the balance.

Sir HENRY DRAYTON: We have not any cost as yet in connection with the Scarboro situation?

Sir HENRY THORNTON: No. The situation there is under the examination of a committee, and that is a colossal undertaking.

Hon. Mr. GRAHAM: You might add an item here which I am going to ask the Government for; I am going to put it in the supplementals, but I will submit it here. The Board of Railway Commissioners has ordered the railway companies to separate some grade crossings at North Toronto, and has ordered it to be done this year. The Canadian National Railways' share of it will be about \$400,000, and I am going to put that in the estimates.

Sir HENRY DRAYTON: I have been examining these estimates, but I have been unable to find the proper appropriation for the Toronto viaduct.

Hon. Mr. GRAHAM: I am waiting a report on that.

Sir HENRY DRAYTON: You are holding your supplementals to cover that question, I trust?

Hon. Mr. GRAHAM: If we can get an acceptance of some proposition, I hope to see some daylight in the matter. There is also an amount of \$100,000, I think, for the continuation of the standardization of Prince Edward Island.

Sir HENRY DRAYTON: I do not want to delay the committee, but I would like to go through that list that you have in the book, and see what that work would be.

Mr. HENRY: That would be the classified items?

Sir HENRY DRAYTON: Yes, but not here. I will not delay the committee.

The CHAIRMAN: Sir Henry (Thornton), I would like to ask a question which is more or less of a general character. We have the two great railway systems in Canada, the Canadian National and the C.P.R., both giving a complete service and I dare say, in some instances, duplicating services. For example, I think you have in transcontinental trains, between the two systems, a service consisting of about nine trains a day; you have between Ottawa and Montreal, I think, about twenty-four trains a day between the two systems. I would like to ask whether you would consider it worth while or feasible for the executive of the two systems to get together and see whether you cannot, say, divide up the business and cut out a great deal of unnecessary waste, and whether you could not save a great deal of money to the shareholders of the C.P.R. on the one hand, and to the people of Canada on the other, through avoidance of waste. That is, without interfering with the efficiency, of course.

Sir HENRY THORNTON: That is both worth while and feasible, but whether any tangible results would emerge remains to be seen. Unquestionably, taking the Dominion of Canada as a whole, we are not sufficiently opulent to indulge in unnecessary competition, not only in the railway business but in all other businesses. We ought to try and make every dollar carry with it a maximum return, and if we could get to some understanding with our principal competitor which would result in the elimination of competition, and by competition I mean that form of competition which, if eliminated, would not affect the convenience to the public—certainly we would have gone a long way towards conserving the revenues and the resources of both companies.

Sir HENRY DRAYTON: Mr. Chairman, I am very familiar with this question. In 1916, although as Chairman of the Railway Board I had not any direct control over the railways in cutting off services—although we had jurisdiction to order services—I told them if they did not come under, something might happen. So I was allowed—at the time of the coal shortage—I was given the right to go in. I forget how many trains I cut off, but it ran into large numbers, and saved a good deal of coal and a good deal of money. There was a good deal of objection, because every train that is run is used by some people, and those few people can make a lot of noise, as well as perhaps one or two municipalities, but in about six months' time, after the protests ceased, all troubles stopped, and both systems were saved a lot of money. I had an avalanche of protests, and all that sort of thing, and we had hearings regarding the trains cut off, but a lot of money was saved. The sequel is amusing. Just so soon as the period was over, when I had any right to control the railways and so save money for the country, just so soon were the trains put back on again, and I believe there are more now than there were at that time.

Hon. Mr. GRAHAM: During the war, did your Board not have authority to short-route traffic in many instances?

Sir HENRY DRAYTON: That was brought about in this way. At the time the submarine menace was abroad, a large deputation of railroaders and others came into my office one day and told me the war would be over in ten days. I told them that was interesting if true, and they said "We do not know that it is anything you can have anything to do with, but there is just ten days' food supply in England for the army on the continent, and next week all the American North Atlantic ports are going to be closed, and our Canadian railways have already contracted for every single ton of stuff they can handle. They say they cannot take on anything more, and we thought perhaps you could do something with it." Well, we had some cross-firing back and forth, and I said, "I will tell you what I will do. If the railways will put themselves absolutely in my

APPENDIX No. 5

hands so far as jurisdiction is concerned, and if you people in the supply business will appoint one person to look after your interests, with whom I can deal, I will undertake it." The offer was refused, but the next day they came back and accepted it. What that involved was this: it involved the right of using all rolling stock in any way I thought was the most economical, irrespective of ownership. It involved the right to short-route traffic wherever I wanted to short-route it. It involved the right to take business from one line and give it to the other, when the other could make better despatch with it. It involved the right to put in sidings if necessary, for the transfer of traffic, and all those things. In that way we were able to increase, as I recollect the figures, the movement out of St. John in particular as well as out of Portland—there were very gratifying increases in Portland, but out of St. John we increased that winter—and it was a very bad winter—we increased it 60 per cent, and the thing was done. Of course, that is a condition which you cannot have in ordinary times. I was treading on everybody's corns everywhere; there are a whole lot of corns I have never been forgiven for treading on, even to the present day.

Hon. Mr. GRAHAM: We had a shortage of coal in Brockville. I got some coal, by certain methods, to Prescott via C.P.R., a distance of about 12 miles. Ordinarily that would go from Prescott back to Kempton, out to Smiths Falls, and so out to Brockville. That would ordinarily take about 10 days, and I know somebody gave them the order to haul it the 12 miles by Grand Trunk, and so save that much time.

Sir HENRY DRAYTON: I remember in 1916 the Ottawa coal dealers came in and said that we had a three days' supply of coal in Ottawa, right in the middle of winter. I bought three trainloads of coal that afternoon—at least I arranged for them, and we arranged for the whole movement and we actually managed to get this coal through. I remember getting through 500 cars of coal for Ontario points at Black Rock on the day the hospital in Buffalo closed because it had no coal, and the whole reason was very, very simple. We had an arrangement under which the railways here were compelled to treat coal as coal, no matter whose it was. A great deal of the congestion in the United States arose from the practice of yarding it at different points. Canadian coal was handled by solid trains. As soon as an order was received for Canadian coal, a solid train would be made up and it was run as a solid train without yarding or anything, straight through to the Canadian points, and then the Canadian railroads were under the obligation of immediately discharging it. I put a demurrage of \$10 a day per car, and they were under the obligation of discharging that coal and sending that empty train right back to the American line. That meant they were in a position to do business in Canada when, by reason of the railway congestion, they could not do business with their own people. If you get co-ordination, a lot of these things could be done.

Sir HENRY THORNTON: It is very difficult to prevent contestants from contesting, and it may be expressed this way. It is no good for the sheep, in convention assembled, to pass resolutions in favour of a vegetable diet, so long as the wolves retain their carnivorous habits.

The CHAIRMAN: Shall we approve of the item?

Mr. STEWART: In item B, what construction is involved there?

Mr. HENRY: That is betterment, really.

Mr. BROWN: There is no branch line work.

Sir HENRY THORNTON: "Construction and Betterments" is a general term which is used to describe that particular branch of railway operation. In this case it is mostly betterments.

Mr. STEWART: That amount of last year would include the money used to build the Long Lac cut-off?

14-15 GEORGE V, A. 1924

Sir HENRY DRAYTON: Yes. There was that new work last year, and also that Minto branch?

Mr. STEWART: There is one other thing I would like to ask. Is any money involved in this expenditure in connection with the Hudson Bay railway?

Mr. BROWN: Yes, \$300,000.

The CHAIRMAN: For what purpose?

Mr. BROWN: It is a revote of last year.

Sir HENRY THORNTON: That is protection in this way; there is a considerable portion of the line that is sinking; there are still some ties and rails and material lying up there which has to be salvaged, to prevent it from sinking into the muskeg. There are some bridges which require repairs, and in other words the vote of \$350,000 is merely for the purpose of preventing further deterioration to the line. With that, it may not involve so much more expense later on. In fact, as I remember that vote last year, we estimated that unless that money was spent we would lose about \$1,000,000.

The CHAIRMAN: Did you spend it?

Sir HENRY THORNTON: Part of it, not all.

Hon. Mr. GRAHAM: I will tell you what the situation is. There is an item here for keeping Port Nelson open and so on, but last year we probably did not feel that we were at liberty to go on until we got the money. It was not voted in the name of the company last year, it was a separate vote. We only spent \$60,000 or \$70,000. This year, having started these repairs, I told Mr. Warren I thought he would be safe in starting with the work earlier, and I think he has been on the work already.

The CHAIRMAN: But it is only repairs?

Hon. Mr. GRAHAM: Yes.

Mr. STEWART: I wanted to get it clear on the point as to just how the expenditures on that stand between the government and the Canadian National. That is a government railway, is it not?

Hon. Mr. GRAHAM: The government railways were all taken over by the National, and that was included, and unless it was taken outside the sphere of the Canadian National, it would have to be charged to the C.N.R.

Mr. STEWART: And the completion will have to be done by the Canadian National?

Hon. Mr. GRAHAM: Yes, unless we were to remove it from the C.N.R. by order in council. Any money expended on that had to be charged up as a loan to the Canadian National.

Mr. STEWART: Just whose is the responsibility for the completion? Is it a matter of the government, or the Canadian National Railway Board?

Hon. Mr. GRAHAM: Both.

Sir HENRY THORNTON: I would say the responsibility of the government is to provide the money, and after the money is provided it is the responsibility of the Canadian National Railways to see that it is wisely and economically spent for the purpose for which it was voted.

Sir HENRY DRAYTON: It is also then responsibility of the government to determine the policy to be followed.

Hon. Mr. GRAHAM: But first the Canadian National Railway must recommend whether this line ought to be constructed or not.

Mr. STEWART: Use the word "completed", not the word "constructed".

Hon. Mr. GRAHAM: Then Parliament will have to say whether they will give them the money or not.

APPENDIX No. 5

Mr. STEWART: Let us go back a little further. We had, a short time ago, a number of branch lines throughout the prairies before Parliament, and it seemed to be the general understanding that the advice had originated with the Canadian National Railway Board that these lines were needed and advisable; the government was simply passing upon them and granting the money with which to build them. I want to find out about the Hudson Bay railway, as to whether that is the position it is in. Are we to wait until the Canadian National Railway Board advises that the money be paid to complete that railway, or has the government the right to take the initiative and say, "Here is the money; go to work and complete that road."

Hon. Mr. GRAHAM: Supposing the government did that, and the railway said, "That is all very well, but we will give you a report now to show that you will lose so many millions of dollars there." Whose advice should we ask? I admit that this road has been started, and I am not discussing it very much. The completion of the Hudson Bay railway would have to be a policy of the government, approved by Parliament, but the government ought first to get advice from somebody outside of the government, as to what to do in all these things.

Sir HENRY THORNTON: Might I just answer that in this way. In connection with the Branch Lines Bill last year, the Canadian National Railway administration was asked by the government to present a branch line program. We examined the position and made recommendations with respect to which branch lines the administration thought should be built. We have had no such request from the government in respect to the Hudson Bay railway. The administration is prepared to carry out any request the government may make upon us in regard to recommendations.

The CHAIRMAN: May I ask what is, perhaps, an embarrassing question? Have you ever investigated yourself the possibilities of the Hudson Bay as a railway proposition—not as a colonizing scheme, but as a proposition with regard to whether it will pay, or whether it will be a source of loss to the country?

Sir HENRY THORNTON: No, I have not. I know in a general way, of course, the discussion that has gone on in connection with the Canadian National Railway system, but I have refrained from expressing any opinion on the subject whatever, nor do I intend to express any opinion until I am given a mandate to that effect, and then it will be only after a searching examination.

Sir HENRY DRAYTON: I think at one time your Board recommended the lifting of the rails.

Mr. STEWART: Let us fix the responsibility for that.

Major BELL: Sir Henry Thornton was away at the time, and I was in the Chair. We had about one hundred miles of rail going to pieces; the ties were rotting, the rails were twisting, and it did not look as though we were going to be able to do anything for a year or so. Rail was urgently needed in the west, and the Board at that time, without either approving or disapproving of that policy of the Hudson Bay railway, recommended that that rail be lifted in order to save it and use it in the west, and it could easily be replaced later. It was not used for operating purposes; we were only running to Mile 214, and it was to save that rail that the order was issued. I think it would have been good business if we had done it at the time, because some of that has never been reclaimed.

The CHAIRMAN: You have no opinion to offer as to the propriety of building the Hudson Bay railway, and you would not do so without making a further examination?

Sir HENRY THORNTON: It is too large and too important a subject to express an opinion on without very careful examination. We all have certain

suspicions and certain views, but there is a great difference between suspicion and conviction.

Mr. STEWART: I was not trying to obtain either an expression of a suspicion or a conviction or an opinion as to the merits of the road, but I was trying to find out just where the responsibility lies as to the originating of any action that may be taken in the near future.

Sir HENRY THORNTON: I think the Minister will bear me out when I say that insofar as the administration of the Canadian National Railway System is concerned to-day, we have no responsibility other than we are the trustees of the property as it now stands, and it is our business to protect it as much as we can.

Mr. STEWART: With regard to the branch lines, the Canadian National Railway Board will make a recommendation to the government when they think a project is feasible or necessary. The same thing will apply to the Hudson Bay railway, that is, that no recommendation would come to the government from the Canadian National Railway Board until they thought that was a necessary project to go on with?

Sir HENRY THORNTON: Unless the government ask us to take that question up and give them a report on it.

Mr. STEWART: May I ask this. Would you think, as head of the Canadian National Board, that it was of sufficient importance to make inquiry or investigation into, unless the government gave you certain instructions along that line?

Sir HENRY THORNTON: That is a pretty difficult question to answer. You see, in discussing this whole Hudson Bay railway proposition, it has become so highly contentious and there are so many differences of opinion that one wants to be very careful what one says about it. We all know perfectly well that, broadly speaking, the west is convinced that the Hudson Bay railway should be built. There is a contrary opinion elsewhere, and the curious thing about it is that those who either favour or disfavour the proposition are very violent in their opinions. It seems to be either a feast or a famine, either way, and I do not think I would want to say anything about the Hudson Bay railway at all until I am put in the position and armed with the necessary authority, if such should come about, to make a report or give some form of statement.

Mr. STEWART: That is very well, but you have very carefully avoided the direct question.

Sir HENRY THORNTON: I have. This thing is loaded.

Sir HENRY DRAYTON: I am not going to evade it, and I do not care whether it is loaded or not. I know what the real convictions of the Board are, and we had a similar instance in Ontario.

Sir HENRY THORNTON: You mean the Railway Board?

Sir HENRY DRAYTON: Yes.

Sir HENRY THORNTON: I do not think our Board has expressed any opinion.

Sir HENRY DRAYTON: I think I know pretty well the opinion of your Board; one can see through a glass window. We had in Ontario a similar situation; that is, the building of the James Bay railway. Ontario thought that line should be built for years, and the Dominion was not going to do anything with it. Finally Ontario took it up and built it. The western provinces are a unit that this line should be built, just like Ontario was a unit that the James Bay line ought to be built. What I would favour doing is giving the whole of this investment of \$25,000,000 to the prairie provinces.

The CHAIRMAN: They will not take it.

Sir HENRY DRAYTON: That is one test of sincerity, but I would do more.

Mr. STEWART: I would not be too sure about that, Mr. Chairman.

APPENDIX No. 5

The CHAIRMAN: I have had that reply from men to whom that suggestion has been made.

Sir HENRY DRAYTON: I think they are quite sincere enough to take it, but I would do more than that. I would arrange with them so that they would have the use of the Winnipeg terminals for the purposes of their business, and not be put to the expense of spending a lot of money for that, and I would do even more than that. I would give them, in addition, a couple of million dollars to go ahead with, so long as it was quite clear that the responsibility for that line and its resulting deficits would not be the business of the Dominion but would be the business of those who believed in it, and that would be making a pretty fair offer.

Mr. STEWART: And I suppose, when they demonstrated the feasibility of the route, then you would incorporate it in the National Railways?

Sir HENRY DRAYTON: If it were a good thing I would let them have all the profits out of it.

The CHAIRMAN: You are quite safe in that offer, I think.

Sir HENRY DRAYTON: If they can make money out of the Hudson Bay road, the money would be all theirs.

Mr. KYTE: A large delegation from the west came here some time ago, and the business men in the west asked the government to build the railway and they would furnish the money to build the terminals, shipping piers and elevators and would look after the shipment of grain themselves.

Hon. Mr. GRAHAM: I think they only said they would build the elevators.

The CHAIRMAN: Would they operate the road and finance the deficits that would result?

Hon. Mr. GRAHAM: A gentleman from Manitoba has written me once or twice about it, and I suggested that if he had a concrete proposition to make, it would be considered.

Sir HENRY DRAYTON: I would not try to sell it; I would give it away. I do not like the idea of taking on any more obligations, the end of which we do not know.

Mr. STEWART: There is a very important point upon which I think I should get some information; it was that point upon which I asked Sir Henry Thornton a question.

Sir HENRY THORNTON: Try again, and we will see what we can do.

Mr. STEWART: There is an opinion very frequently expressed in eastern Canada that further investigation is necessary. Sir Henry Drayton has said that western Canada is convinced in this matter, and I do not think investigation would convince them more thoroughly, unless it brought out prominent facts, and a good many of those. But I say I have heard that opinion expressed very frequently, that further investigation is necessary. That is, eastern Canada seems to have that in mind and bases its arguments upon the fact that the feasibility of the line has not been proven. Now, whose is the responsibility to carry on these investigations? There would be no opposition on the part of western Canada, so long as they were convinced that such an investigation was not for the purpose of holding up the road. Do you expect the provinces which are thoroughly convinced about it to undertake a thorough investigation to convince the rest of Canada, or has this Federal government sufficient responsibility and interest in it to do that, or has the Canadian National Railway Board the responsibility in that respect?

The CHAIRMAN: Sir Henry Thornton has said he thinks they have no responsibility.

14-15 GEORGE V, A. 1924

Hon. Mr. GRAHAM: I would say if there is an investigation to be made, it is the business of the Dominion Government to do it, on the authority of Parliament.

Hon. Mr. STEWART: Would you make that investigation before you gave instructions to the Canadian National Railways with regard to it?

Sir HENRY DRAYTON: You might do it through the Canadian National Railways; they would be the appropriate agents.

The CHAIRMAN: I think it is understood they would not make such an investigation unless they were asked to do so.

Sir HENRY THORNTON: With such an important question of policy involved, affecting the people of Canada as a whole, I do not think it is within the province of the Canadian National Railways to instigate a proposition of that kind, unless the Government has some serious intentions in connection with it. But I am perfectly willing to assume any responsibility in connection with this property which the Government may decide to turn over to us. I do not want to dodge or evade anything.

Hon. Mr. GRAHAM: And you do not want to assume anything.

Sir HENRY THORNTON: And I certainly will not assume anything.

Mr. STEWART: Your statement includes investigations made by the Railway Commission?

Sir HENRY THORNTON: You must examine the thing from every angle; it is not merely a railway proposition.

Hon. Mr. GRAHAM: One question would be the possibilities of the line in connection with colonization, and another would be in connection with the transportation of traffic to and from Western Canada.

The CHAIRMAN: Do you think the western men who are so much in favour of the construction of this road would be satisfied if the Government made an investigation?

Mr. STEWART: As I said a moment ago, there would be no opposition from Western Canada to any investigation, providing that they could be satisfied that such an investigation was not simply a means of holding up or delaying completion of the road. There has been a suspicion in the minds of many westerners that further investigation would be only an excuse to delay it. I have an idea that if a person in whom they had confidence—and I would say the head of the Canadian National Railway Board is such a man—that his opinion would carry great weight, and they would have sufficient confidence that he would not use his office to delay it in any way, whether he gave an opinion which was favourable or otherwise.

Sir HENRY DRAYTON: Is there anything in the estimates for equipment this year?

Mr. HENRY: There is an amount in that. That item of \$4,000,000 odd which I read there is for new equipment.

Sir HENRY DRAYTON: That is in connection with construction betterments and so on?

Mr. HENRY: No, that is Section B.

Sir HENRY DRAYTON: What is that \$4,000,000 to be for?

Mr. HENRY: That is 25 per cent on certain passenger equipment, to the extent of \$2,125,000; freight cars to the value of \$5,500,000; locomotives to the value of \$4,665,000.

Sir HENRY DRAYTON: What additional passenger equipment are you acquiring?

Mr. HENRY: Twenty steel first-class cars; twenty steel baggage cars; 15 steel baggage and mail cars; 10 steel parlour cars.

APPENDIX No. 5

Sir HENRY DRAYTON: Where are you going to put those parlour cars on?

Mr. HENRY: I think that is just a general strengthening of our service in that regard.

Sir HENRY DRAYTON: What is the estimated cost of the steel parlour cars?

Mr. HENRY: \$39,000.

Sir HENRY DRAYTON: That is \$39,000 a car?

Mr. HENRY: That is right.

Sir HENRY DRAYTON: And what is the price of the other cars?

Mr. HENRY: First class, \$38,750.

Sir HENRY DRAYTON: And the steel baggage cars, what are they now?

Mr. BROWN: \$25,500. The baggage and mail cars are \$30,000.

Sir HENRY DRAYTON: That is for each unit?

Mr. BROWN: Yes.

Sir HENRY DRAYTON: What are our locomotives costing us now?

Mr. HENRY: It depends upon the type, somewhere from \$40,000 up to \$100,000. \$40,000 would be switchers, and \$100,000 would be Santa Fe.

Sir HENRY DRAYTON: How do the costs there compare with previous years; are they going down at all?

Mr. BROWN: About the same as last year.

Sir HENRY DRAYTON: Take three years ago.

Mr. BROWN: I think they are a little lower.

Sir HENRY DRAYTON: What drawbars are you getting on these locomotives now?

Mr. BROWN: The Sante Fe will be about 95,000 pounds. They are the biggest engines we have.

Sir HENRY DRAYTON: Bigger than the last new ones you got?

Mr. BROWN: Yes. The Mikados are 53,000 pounds.

Sir HENRY DRAYTON: What was the cost of the old 53,000?

Mr. BROWN: We have 30,000 here, with the booster about 55,000. They are \$78,000.

Sir HENRY DRAYTON: That is the type used on the New York Central?

Mr. BROWN: Yes.

Sir HENRY DRAYTON: What does the booster cost now?

Mr. BROWN: I think it is about \$5,000; I am not just positive.

Sir HENRY DRAYTON: How much of that goes for material, and how much for patent rights?

Mr. BROWN: I could not tell you that offhand; I could get the figures.

Sir HENRY DRAYTON: This is just 25 per cent of the cost; it is really \$16,000,000?

Major BELL: It is about \$17,000,000.

Sir HENRY DRAYTON: That would be under the Act this year. I think insofar as any other bonds are concerned, the right to issue these bonds and guarantee them would be taken under this vote.

Major BELL: The Minister of Finance can advance the cash or issue Canadian National bonds guaranteed by the government.

Sir HENRY DRAYTON: Reverting to the old principle?

Major BELL: Just the same.

Sir HENRY THORNTON: I hope that will be done soon, because we are in danger of losing money every day on this equipment. Just now the market is particularly favourable.

14-15 GEORGE V, A. 1924

The CHAIRMAN: Will some one move that this item be approved of?

Sir HENRY DRAYTON: What about this next item, "Expenses made by, or indebtedness incurred by—"

Mr. HENRY: That is just a description.

Sir HENRY DRAYTON: That is the deficit?

Mr. HENRY: That item is merely explanatory.

Sir HENRY DRAYTON: That is the old form, as I read it.

Major BELL: Exactly the same form as before.

Sir HENRY DRAYTON: Under that item last year, what was the figure? There was a vote of \$74,000,000, was there not?

Mr. HENRY: \$73,500,000, I think.

Sir HENRY DRAYTON: How much of that was spent under Item B, page 32 of the estimates?

Mr. HENRY: To which do you refer, cash or loans?

Sir HENRY DRAYTON: By way of cash or guarantee?

Mr. HENRY: The whole thing was \$73,000,000, plus a supplemental of \$1,000,000 odd. It is in the opposite column on the same page there. That was the amount voted, and \$67,181,514 was the amount actually spent.

Sir HENRY DRAYTON: There would be an actual reduction under that head of about \$11,000,000?

Mr. HENRY: In addition to that there was a discount on the bonds of \$1,093,500.

Sir HENRY DRAYTON: That does not make any difference; that is the cost. Unfortunately we cannot get that back. You mean it was spent in addition to that? That should include the discount.

Mr. HENRY: No, that \$67,000,00 is less the discount.

Sir HENRY DRAYTON: How much was the discount?

Mr. HENRY: \$1,093,500.

Sir HENRY DRAYTON: That is cost, just as much as the other. However, I do not know that we need delay much longer; I want to go through this statement afterwards.

Mr. KYTE: I move that this item be approved.

Sir HENRY DRAYTON: I do not object to that, subject to this information I have spoken about.

The CHAIRMAN: Moved by Mr. Kyte, seconded by Sir Henry Drayton, that item 137 be carried.

Motion agreed to.

The CHAIRMAN: That practically completes our work with the exception of drawing up the report.

Discussion followed on the question of the printing of the report.

Moved by Mr. Kyte that that portion of the evidence relating to the Hotel Scribe be printed.

Moved by Mr. Stork that the discussion relating to the Hudson Bay railway be also printed.

Moved by Sir Henry Drayton that the entire report be printed.

(Motions of Mr. Kyte and Mr. Stork withdrawn, and motion of Sir Henry Drayton agreed to.)

Moved by Hon. Mr. Graham that the Chariman appoint a sub-committee to prepare a report to be presented for the consideration of the Committee.

Motion agreed to, committee to be announced later.

The CHAIRMAN: Gentlemen, before we conclude, Sir Henry Thornton would like to say a few words.

APPENDIX No. 5

Sir HENRY THORNTON: Might I just briefly say this. This is the first opportunity which the officers and myself have had of meeting a committee of the House of Commons and discussing various matters which relate to the Canadian National Railway System. I would like to say quite sincerely that I regard these deliberations as most helpful to the administration. There have, of course, naturally been certain points of contention, but I should regard those points of contention as merely the seasoning which has made the food all the more palatable. It is, in my judgment, quite essential that there should be some vehicle of discussion and communication between the administration of the Railway System and the representatives of the Shareholders, who are the people of Canada, and those representatives are, of course, members of the Dominion Parliament. Now, all of the discussion we have had, from my point of view, has been extremely illuminating, has been of great assistance, and I only hope that some method will be provided of enabling the administration to discuss with some suitable body of the House the various questions with respect to which there may be misunderstandings. I hope that something will be done to provide a vehicle of that sort. As far as the members of this committee are concerned, although presumably their duties and responsibilities will end with the report, and the adjournment of the House, still I should like very much to be in a position to discuss from time to time, not only this year, but in subsequent years if I am here, matters which affect the people of Canada, and their railway system, and discuss these matters with the accredited representatives of the people, who are necessarily members of the House of Commons.

So I am therefore thankful to you for all the discussions which we have had and the very helpful way in which that discussion has been carried on, and I think it points to the fact that we have broken ground with respect to certain procedures which I feel ought to be very useful to the administration in years to come.

The CHAIRMAN: Sir Henry, may I say to you, perhaps on behalf of the committee, that I think all of us will reciprocate what you have said. I said on the first day that this committee was not intended to be inquisitorial in its nature, nor harmful in its effects, but that it might be a connecting link between the management of the railway and the Parliament of Canada. I feel that a great deal of that has been accomplished, and speaking for myself and perhaps for a majority of the members of the committee at least, I may say that I appreciate very much your frankness in connection with the questions that have been asked, and I desire to thank you and those officials of the company whom you brought here for the frankness and efficiency with which they have given the information desired.

The Committee adjourned.

INDEX TO EVIDENCE
CANADIAN NATIONAL RAILWAYS
ACCIDENTS

Bell, Major:

Protection Bureau, 208.

Henry, Mr. R. A. C.:

Injuries to persons, 155.

Accidents and first aid, 197.

Compensation paid for injuries, 209.

Thornton, Sir Henry:

Compensation. Comparison of scales paid in different provinces, 277.

Compensation. Balances on hand with different organizations, 280.

ACCOUNTS AND ACCOUNTING

Bell, Major:

Interstate Commerce Commission classification explained, 178.

Cooper, Mr. T. H.:

Reserve Account, 167-170, 173.

Classification of accounts, 174, 176-7, 195, 201.

Henry, Mr. R. A. C.:

Change in system, 165.

Reserves, 166, 168-9, 171.

Reserve Account commenced September 1, 1922, 171.

Maintenance Account, 168.

Income Account, 168.

Budget system used, 173.

Reserves, depletion in, 173.

Interstate Commerce Commission classification used in determining whether roadbed charges placed to maintenance or to betterments, 174.

Total capital charge, 1923, 175.

Classification of accounts, 177.

Equipment, principal payments, sinking fund, miscellaneous maturing or matured notes, and other obligations, secured or unsecured, 282.

Operating income deficit, 283.

Thornton, Sir Henry:

Interstate Commerce Commission system used, 125.

Certain items of expense should be spread over year and one-twelfth charged each month, 129.

ELECTRIC AND GASOLINE TRACTION

Henry, Mr. R. A. C.:

Electric and gasoline propelled cars, 205, 209.

Electric lines—Port Dalhousie to Port Colborne, thence to Niagara Falls; Toronto to Guelph; Toronto Eastern, 245.

Competition with Ontario Hydro Electric Commission, 256.

Gasoline and storage battery cars in operation, 258.

Thornton, Sir Henry:

- Willing confer with Ontario Hydro Electric Commission with view to economy or better service to public, 258.
- Storage battery cars successful, 259.
- Electric car twice as expensive as gasoline car, 259.
- Branch lines should in many cases be of light construction with small propelling units, 259.
- Collaborating with engine manufacturers to produce suitable gasoline car, 261.

EQUIPMENT AND MAINTENANCE**Bell, Major:**

- Long Lac cut-off constructed last year, 175.
- Hudson Bay Railway, lifting of rails, 289.

Brown, Mr. C. B.:

- Railway ties, 127-8.
- Tunnels and subways, 154.
- Grain elevators, 154.
- Removing snow, ice and sand, 155.
- Tie and rail renewals, 165.
- Improvements on lines, etc., 175.
- Long Lac cut-off cost about \$2,000,000, 175.
- Replacing of ties, 196.
- Replacing of rails, 196.
- Structures and yard branches in West not so expensive. Lighter rails used, 271.
- Prairie construction costs \$40,000 to \$50,000 per mile, 271.
- Hudson Bay Railway revote, 288.

Henry, Mr. R. A. C.:

- Yard tracks, 154.
- Telegraphs and telephones, 154.
- Shops and engine houses, 155.
- Way and structures, 163.
- Rails and ties, 165.
- Rolling stock, 166, 168.
- Repairs, freight cars, years 1922 and 1923, 179.
- Locomotive repairs, 180.
- Ties replaced, 194.
- Equipment in first-class condition, 200.
- Long Lac cut-off, statement of expenditures, 1923, 242.
- Hardwood Ridge to Minto Mines, statement of expenditures, 1923, 242.
- Betterments for Grand Trunk Western, 1924, 283.
- Cost of new passenger cars, freight cars, locomotives, 293.
- Traction power of locomotives, 293.

Thornton, Sir Henry:

- Maintenance of way and structures, statement respecting, 125.
- Hardwood Ridge to Minto Mines siding, 270, 287.
- South Bend, railway runs down middle of one of principal streets, 284.
- Toronto viaduct, 285.
- Long Lac cut-off, 287.
- Hudson Bay Railway, 288, 290.

APPENDIX No. 5

FREIGHT

Henry, Mr. R. A. C.:

Car miles per year, 179.

Lost and damages, 211.

Thornton, Sir Henry:

Transcontinental, Quebec-Winnipeg traffic sparse, 8, 21.

Receipts increased last year, statement thereon, 118.

Receipts falling off this year, explanation, 118.

U.S.A. mileage more profitable than Canadian, 119.

Reduction in Ontario loadings, 119.

Reduced rates would mean increased deficit, 120.

Reduced rates last year seriously affecting returns, 120.

Grain rates 10-15 per cent lower than in U.S.A., 121.

Grain comprises 60 per cent of western traffic, 121.

Lower rate on one article to develop trade in another article, 225.

Rate for paper pulp made from straw, 225.

GENERAL

Bell, Major:

Saskatoon, superintendents at, 199, 265.

Pension schemes being considered, 210.

Coloured help on Pullman service, 211.

Hotels, 212.

Dining car service. Only regular meals should be served, 213.

Taxation, meeting respecting to be arranged with provincial treasurers, 252.

Law expenses, 267.

Henry, Mr. R. A. C.:

Wage schedule decreased, 168.

Locomotive mileage, 180.

Joint facilities at terminals, 194.

Gas producing plant, 197.

Advertising, 201.

Coal is purchased by tender, 203.

Fuel consumed per 1,000 gross tons per mile, 203.

Fuel saving campaign, 204.

Locomotive smoke consuming devices, 204.

Pension schemes under consideration, 210.

Hotels, 212.

Statement showing number pounds of coal used per 1,000 gross ton miles, 243.

Coal, average price paid, 1922, \$5.82; 1923, \$5.64, 243.

Law expenses, 266.

Interest on securities, notes and other obligations, 282.

Thompson, Mr. W. S.:

Tourist posters, 272.

Photographic department, 272.

Overseas advertising, 273.

Chinese advertising in Montreal, 273.

Printing, 275.

Thornton, Sir Henry:

Annual Report next year will be more comprehensive, 51.
 Increased trade activities will be indicated next year, 58.
 Montreal Tramways Company, description of line purchased from, 91.
 Committee's deliberations great help to administration, 234, 295.
 Coal purchased by regional agents under direction of Vice-President in charge of purchases and stores, 244.
 Earnings one month were \$25,000,000, netting \$5,000,000, 260.
 Salaries of rank and file determined through medium of trade unions, 262.
 Salaries of higher officials, 263.
 Redundancy of officers when Canadian National and Grand Trunk consolidated, 264.
 New positions—Radio Engineer, Superintendent of Insurance, and in Colonization Department, 265.
 Officers have not a standard working day, 266.
 Law expenses, 266.
 Advertising, 271, 274, 281.
 Photographic department, 272.
 Exhibitions, 272.
 Stationery and printing mostly let on tender, 274.
 Stationery and printing expenses, 275.
 Passenger business not generally a source of profit, 276.
 Duplication of service between railway companies entails expense to both, 286.
 Branch Lines Bill of last year, 289.

Robb, Mr. W. D.:

Radio activities, 215.
 Radio operating cost for year, \$90,000, 216.
 Canadian National Railways first to fit radio on trains, followed by Pennsylvania, 217.
 Development of natural industries and tourist traffic, 224.

Ruel, Mr. G.:

Purchase of line from Montreal Tramways Company ratified by Order in Council, 140.
 Prince Rupert, B.C., lots, 150.

Swift, Mr. W. H.:

Radio, 216.

IMMIGRATION

Bell, Major:

Full statement will be presented next year, 200.

Price Green, Mr. C.:

Cheap land in Northern Ontario, Northern Quebec, and in West, 219, 233.
 Policy governing immigration, 219.
 Payments on land, 233.
 Advances to settlers, 237.

Robb, Mr. W. D.:

Colonization Department, 217.
 Colonization scheme outlined, 218.
 Group settlement, 218.
 Propaganda not allowed in Sweden, Norway, Denmark and Holland, 219, 221.

APPENDIX No. 5

61,000 acres of C.N.R. land sold last year, 220.
 Paris agent necessary, 220, 227.
 Scandinavians are splendid type, 221.
 Dr. Black's staff and duties, 223.
 Immigrants are advised respecting land, stock, etc., and are assisted financially and followed up, 228, 236.
 Unable to fill all applications for help, 229.
 "Magrath" scheme, 235.
 \$160,000 spent last year, 238.

Thornton, Sir Henry:

Dr. Black engaged, 62.
 Dr. Black's offices in London and Paris, 93.
 Working arrangement with White Star and Cunard lines respecting passenger, freight and express traffic, 94.
 Much more aggressive C.N.R. policy next 18-24 months on continent of Europe for passengers and freight, 94.
 European countries want retain young men for possible war, 221.
 Non-English speaking immigrants are looked after and advised, 229.
 Group settlement, 231, 234.
 How immigrants placed, 232.
 Land offered settlers, \$15-\$16 an acre, 233.
 Activities of all Canadian organizations should be co-ordinated, 237.
 "Magrath" plan, 237.
 U.S.A. gets immigrants without seeking them, 238.

INSURANCE

Bell, Major:

Fund for fire and marine, 155.
 Surplus of three to four millions, 156.
 Canadian National Railways carrying their own, 207.

Henry, Mr. R. A. C.:

Property, 155, 198, 206, 208.

MAIL TRAFFIC

Bell, Major:

Service on Canadian National Railways, 182.

Fairbairn, Mr. R. L.:

C.P.R. have through mail traffic Montreal-Vancouver and Toronto-Vancouver, east and west, 181.
 Mileage Canadian National 20,510, C.P.R. 14,895, 181.
 Mail earnings C.N.R. \$3,162,977.51; C.P.R. \$3,658,937.40, 181.
 Earnings per mile per annum, C.N.R. \$154.21; C.P.R. \$245.65, 181.
 C.N.R. could have necessary equipment by August first for through traffic Montreal and Toronto to Vancouver, 182.
 Letter mailed at Cochrane for Armstrong (375 miles) is conveyed 1,700 miles to reach Armstrong, 184, 190.
 Mail on C.N.R. between Winnipeg and the east and between Edmonton and Prince Rupert could be expedited 24 hours, 187.
 Overseas mail usually carried by C.N.R., Halifax to Montreal, then transferred to C.P.R., 188.
 Four mail revenue items that should be allocated to C.N.R. would return \$600,000 per annum, 189.
 Unaware of any circuitous routing via C.N.R., 190.
 Memorandum *re* present division of mail traffic, 190.

Thornton, Sir Henry:

C.N.R. does not get fair share, 116.

Revenue decreased on account of rearrangement of rates, 116.

SCRIBE HOTEL, PARIS**Bell, Major:**

Statement regarding acquisition, 63.

Taxes in France, 64.

Aronovici:—

\$2,600,000 advanced, 65.

Bank drafts purchased and transferred to account of, 77.

Formed into a company, 98.

Meeting in London with, 103.

Services dispensed with, 108.

Amount paid to, 110.

Opinion respecting his ability, 114.

Charges incurred when property transferred from, 130.

Purchase price 28,000,000 francs, 65, 87.

Total expenditure about 40,360,000 francs, 67.

Further amount will be required for repairs, 67.

Finest site in Paris and one of finest buildings there, 67.

Huge express money order business awaiting development in Paris, 68.

Alterations may cost \$500,000 or \$600,000, 68.

Question of purchase did not come before Board previous to its coming up in House, 83.

Size of property, 100.

First connection with Scribe Hotel, 101.

Explanation of discrepancy between announced cost price (\$2,000,000) and actual cost, 102, 114.

Property had been on market three or four years, 104.

Photographs shown and described, 104.

Government taxes paid, 106, 131.

Six per cent interest can be made on investment, 109.

Rumour that C.P.R. was offered the property in 1919 or 1920, 112, 132.

Will not lose money on the building, 114.

Name of holding company is "La Rente Foncière," 130.

Pratt, Mr. L.:

Rental increases in Paris, 158.

Location of building, 158.

C.P.R. office in Paris, 160.

Thornton, Sir Henry:

Reasons leading to purchase, 60.

Intention was, after reserving suitable space, to sell or lease balance, 61.

Aronovici:—

Engaged at \$15,000 per annum, 62.

Resigned, 63.

Duties, 73.

Comes to Canada, 73.

Why purchase made through, 89.

French taxation laws intricate, 63.

How value ascertained, 69.

Payments for property, 76.

APPENDIX No. 5

Purchase discussed informally with Prime Minister, 81.
 Comment of French newspapers, 86, 96.
 Personal knowledge of Paris greater than that of directors, 90.
 Purchase from Montreal Tramways an example where quick personal decision required, 90.
 Recent inquiry from prospective purchaser, 90, 100.
 Considerable increase in value five years hence, 91.
 Depreciation more than offset by increasing value, 99.
 Building to be occupied in about six months, 101.

Ruel, Mr. G.:

Sinking fund, 73, 145-6.
 Negotiations for purchase, 134, 147.
 Interview with Aronovici and contracting letter, 135.
 Purchase was legal, 137.

Wilson, Senator J. M.:

Location, 162.

CANADIAN GOVERNMENT MERCHANT MARINE

ATLANTIC

Thornton, Sir Henry:

Voyages completed during year, 1.
 Long-distance voyages unprofitable for reason get full tonnage only one way, 16.
 Profits hinge largely on extent of westbound cargoes, 23.
 Deficit due to lack westbound movement, 24.
 Fifty per cent westbound cargo would obviate deficit, 27.
 Competing steamship lines losing money, 27.
 Impossible get full cargo at Quebec; have to come to Montreal, 30.
 Not getting our share of traffic coming this way, 58.

Mr. J. P. Doherty:

List competing steamship lines, 27.
 Rebates not now given, 59.

CATTLE TO GREAT BRITAIN

Thornton, Sir Henry:

Transportation, 2.
 Cost of handling, \$7,000 per ship, 4.
 Ships not particularly adapted, 6.
 Cost of carriage, \$17.48; revenue, \$20; profit, \$2.52, 8.
 \$20 head not considered high charge in shipping circles, 9.
 Tonnage of vessels, 8,400 tons, 9.
 Two hundred and thirty-three head are carried, 9.
 Statements showing earnings on voyages, mixed cargo, including cattle, 17.
 Shippers prefer use Quebec rather than Montreal, 21.
 Time taken to transport cattle by rail and by water to various Canadian seaports, 31.
 Total shipments, 1923, 2,856, 31.
 Statements showing returns on voyages from Montreal, 1923, 40.

CHILLED MEAT TO GREAT BRITAIN

Thornton, Sir Henry:

Importations, 1923, 4,600,000 quarters, of which only 568 quarters from Canada, 12.

Toronto firm lost money; should have stayed in market longer, 12.

If pushed, could be profitable, 13.

Matter worth investigating, 15.

Mr. J. P. Doherty:

Four steamers on service; fitted with refrigerators and capable of carrying 10,500 cubic feet of cargo, 9.

One sailing per month to London, 9.

No figures for last year to show amount carried by Merchant Marine, 11.

Steamers on Argentine to London service take 30-35 days, 11.

Canada-England service 12-14 days, 14.

GENERAL

Thornton, Sir Henry:

Voyages completed during year, 1.

Cannot pick and choose traffic, 6.

Great Lakes coal ships good example of special type ships, 6.

Meat more profitable than lumber, 10.

"Infant" industries sometimes allowed an unremunerative rate, 11.

Long-distance voyages unprofitable for reason get full tonnage only one way, 16, 23, 24.

Ships laid up at Halifax and Montreal, 16.

Present small ships not fundamentally profitable, 16.

Mr. Teakle, manager of Merchant Marine, in Europe at present, 16.

World-wide depression in shipping business, 23.

Net loss \$9,368,000; fighting chance break even eventually, 25.

Will not abandon Merchant Marine, 25, 33.

Annual Report next year will be more comprehensive, 51.

Reduction in expenses this year of about one million dollars, 54.

Increased trade activities will be shown next year, 51.

Banana trade, Fiji-Vancouver, 33.

Parliament should decide if value of Merchant Marine to be written down, 33.

Finances receive same care as if private property, 34.

Argentine and Brazil service tried and found unprofitable, 38.

Boats for coal on canal traffic, 49.

Ships sold, 55.

Would appreciate receiving recommendations from Committee for future guidance, 56.

Committee discussions have been helpful, 58, 295.

Mr. J. P. Doherty:

Must go to Montreal for general cargo on account of difference in rail rates to Quebec, 20.

Lines running into New York, having larger market, get better run of general cargo, 31.

GRAIN

Thornton, Sir Henry:

Shipped from Montreal; none from Quebec, 3.

Operations on Great Lakes, 1923, 46.

APPENDIX No. 5

"Charter," explanation of, 46.

"All that traffic will bear" not necessarily charged, 51.

Charters on Great Lakes, 1923, 281.

Mr. J. P. Doherty:

Maximum spread between rates to United Kingdom on flour and grain about 7 cents, 29.

ORIENTAL

Thornton, Sir Henry:

Service should be persevered with, 50.

PACIFIC COASTAL

Thornton, Sir Henry:

Service is profitable one, 25.

One additional boat required, 26.

Service could be made more profitable, 34.

PANAMA CANAL ROUTE

Thornton, Sir Henry:

Vancouver to United Kingdom, 2.

Vancouver to United Kingdom looks promising, 25.

Halifax or Montreal to Vancouver, 38.

Mr. J. P. Doherty:

Rates Halifax-Montreal to Vancouver same as New York to Vancouver, 38.

WEST INDIES

Thornton, Sir Henry:

Best field we have, 15.

Four additional boats required, 26.

Four new boats could be paid for in 15 years with continuance of present subsidies, 26.

Not satisfied with agents there, 37.

Canada not fulfilling obligations as to frequency of service, 37.

Northbound traffic is one-third, southbound traffic two-thirds of whole, 45.

Passenger traffic small, 45.

Mr. J. P. Doherty:

Wireless installed on ships with usual marine contract, 38.

Scheme is to have service to larger islands and separate service to Westward group, 39.

OCT 21 1924

